

Testimony of Martin's Point Health Care

**In Support of
MaineCare Expansion**

**Presented by
David Brenerman**

**Appropriations and Financial Affairs Committee
Health and Human Services Committee
Joint Hearing on Health and Human Services budget within LD 1001**

March 6, 2019

Senators Breen and Gratwick, Representatives Gattine and Hymanson, and Members of the two Committees:

My name is David Brenerman, and I am testifying on behalf of my client, Martin's Point Health Care. I am unable to appear in person at today's hearing, so I have asked Laura Harper of Moose Ridge Associates to present our testimony.

As background about our organization, Martin's Point Health Care is an independent, non-profit healthcare organization, serving over 175,000 individuals in its health plans and primary care delivery system. (Of that number, 81,000 patients in Maine come to Martin's Point physicians for their primary care. Another 46,000 military dependents and retirees, from Maine to New York, are enrolled in our capitated/managed care US Family Health Plan; and more than 47,000 Maine residents are enrolled in our Generations Advantage Medicare Advantage Plan).

Martin's Point operates with over 900 employees and with primary care practices in several communities in Southern Maine, and in Portsmouth, NH.

For your information, Martin's Point currently serves a number of MaineCare eligible patients, so we have experience with managing the care of this population.

Martin's Point supports the proposed expansion of the MaineCare program for the following reasons:

MaineCare expansion means a healthier population and will save lives: A primary ethic of the Martin's Point organization is that everyone should be covered for health care. Martin's Point believes strongly that expanding MaineCare will save the state money over time, alleviate suffering, and yield a more robust population which will also benefit our economy, because Maine will have a healthier workforce and population. We do not believe that society can continue to leave thousands of vulnerable people and families one illness or injury away from bankruptcy.

Health insurance saves lives. With MaineCare coverage, numerous individuals will receive care that was avoided previously, thus potentially preventing life-threatening conditions. Also, those suffering from addiction will be better able to seek recovery services and treatment.

While physicians treat individuals, the state and larger healthcare organizations need to be concerned with the health of populations. It is difficult to improve the health of populations if large segments of the community do not have insurance, and thus, the financial means to see a doctor.

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Savings to the insured population: We, as employers who provide health coverage to our employees, pay a significant additional cost to subsidize the free and uncompensated care provided by Maine providers. Expansion of MaineCare will help address this expense that insured Mainers all pay.

Care management is essential: Martin's Point fully supports the triple aim of providing the most effective care...at the lowest possible total cost...with an excellent patient experience. To do this requires effective preventive care and early, appropriate intervention, especially for folks with chronic conditions like Diabetes, Obesity, Hypertension, COPD, etc. This, long term, will enable our state to provide the best quality, appropriate care, while managing the cost of health care.

Maine will only be able to bend the cost curve over time for the state's population by finding a way to provide care for the thousands of Mainers who would be helped by MaineCare expansion. There should be access, education and incentives for low income Maine citizens not currently eligible for MaineCare to seek care through a primary care physician first, for non-emergency matters, rather the ER. Only through expanding MaineCare to include these individuals will we, as a state, be able to work toward a healthier population.

Bottom line, for the reasons stated, MaineCare expansion is good for our state as we bring more of our residents into the healthcare coverage arena, providing them primary care and access to the broad array of health care services.

Finally, one of our physicians, Dr. Sam Zager, asked that I submit a brief story about the value of MaineCare to one of his patients. I have attached that story for your interest.

Thank you for considering our comments.

I want to introduce one of my patients to you.

This patient is a young man whose situation illustrates how Medicaid can pay huge dividends for individuals, families, communities and the state. He became my primary-care patient last fall, soon after his visit to an emergency department for physical trauma.

Besides dealing with this immediate concern, he and I also talked about his substance abuse problem. Somewhere between his prison time and seeing the havoc of the opioid crisis all around him, he understood he needed help. His low-wage job doesn't include health insurance, but fortunately, he has it through Medicaid.

The comprehensive, Medicaid-funded primary care to which my patient has access gives him much more than a fighting chance to have a fulfilling and productive life. Now, his injury has healed; he remains sober from opioids, with the help of Suboxone (the brand name for buprenorphine); he is quitting smoking; he has been exercising more; and he is working full-time.

I asked him recently to reflect on his personal journey. He told me that things have gotten much better since getting care. "(I'm) workin' a full-time job, payin' taxes, payin' my fines off, helpin' my parents pay for their house, savin' up for a basic car," he told me.

And then his thoughts turned to his school-aged daughter: "Since I've been here, I've gotten a lot closer with her, thinking about her. I used to just want to get high, and spend all my money on that, but that's not ruling me now. (Instead, my daughter) wants to hang out with me all the time, so I think I'm doing all right by her."

This young man is not simply a Medicaid recipient; he is the anchor of his family. He knows the dignity of both an honest day's work and having health care. Why can't we expand Medicaid and guide thousands more Mainers and their families in the direction of health?

Sam Zager, M.D.



**Testimony in support of the Governor's proposed 2020-2021 biennial budget
MaineCare Funding initiatives to provide funding for Medicaid expansion (p. A-284) and
Part BBB-1 that codifies the provision of Medicaid coverage to 19 and 20 year-old Mainers
March 6, 2019**

Senator Breen, Senator Gratwick, Representative Gattine and Representative Hymanson, and other distinguished members of the Joint Standing Committee on Appropriations and Financial Affairs and Health and Human Services. I am Ann Woloson, Executive Director of Consumers for Affordable Health Care (CAHC). Consumers for Affordable Health Care is a nonprofit, nonpartisan health advocacy and public policy organization with the mission to improve access to affordable, quality health care for all people in Maine. Consumers for Affordable Health Care supports the proposed budget initiatives p A-284, to provide funding for Medicaid expansion, and Part BBB-1 that codifies the provision of Medicaid coverage to 19 and 20 year-olds that Maine already provides in its regulations.

As I mentioned the other day when I spoke before you, we know from the experience of other states that expanded Medicaid will reduce uninsured rates,¹ boost revenue for hospitals, community health centers,² and other health care providers serving the uninsured and underinsured populations and will provide a very much needed tool to help address the drug crisis.³ It's no secret that Maine's economic recovery has lagged behind other states. The ability to draw down additional federal funds is an opportunity to help grow Maine's economy, especially in rural areas of the state where health care providers are struggling to make ends meet. For these reasons, and in the effort to provide Mainers who have low-income with the health care they need and have been waiting for, we ask that you support the proposed budget initiatives to adequately fund the MaineCare Program over the next biennium.

Providing coverage through MaineCare to young adults will provide long-term benefits. Research has found that, compared to people without coverage, people with Medicaid (MaineCare in Maine) were more likely to use preventive care, to have a regular (health care provider) office or clinic where they could receive primary care, and receive diagnosis of and treatment for chronic disease, including depression and diabetes.⁴ They also were far less likely to experience catastrophic out-of-pocket medical expenses. Codifying Medicaid coverage for 19 and 20 year-old Mainers is important for many reasons.

I hope you will support these sections of the budget. Thank you.

¹ Antonisse L., Garfield R., Rudowitz R.; *The Effects of Medicaid Expansion under the ACA: Updated Findings from a Literature Review*, Kaiser Family Foundation, Published: Mar 28, 2018.
<https://www.kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review-march-2018/>

² Ibid

³ *Medicaid's Role in Addressing the Opioid Epidemic*, Kaiser Family Foundation, February 27, 2018 Fact Sheet, <https://www.kff.org/infographic/medicaids-role-in-addressing-opioid-epidemic/> and Broaddus M, Bailey P, Aron-Dine A., *Medicaid Expansion Dramatically Increased Coverage for People with Opioid-Use Disorders, Latest Data Show*, Center on Budget and Policy Priorities, February 28, 2018; <https://www.cbpp.org/research/health/medicaid-expansion-dramatically-increased-coverage-for-people-with-opioid-use>

⁴ *Policy Basics: Introduction to Medicaid*, CBPP; August 2016; <https://www.cbpp.org/research/health/policy-basics-introduction-to-medicaid>

Park KKK (Medicaid expansion study)

We support the proposal to have DHHS annually report on the Medicaid Expansion population. There have already been dozens of studies on the benefits of Medicaid expansion nationwide.⁷ Several states also conduct studies of their own expansion population. Not only would a study of Maine's Medicaid expansion help the public appreciate the benefits of the program, but the research will also help lawmakers in their decision-making. Medicaid supports strong families, improves public health, and boosts our economy. Mainers deserve to know how it's benefiting our state.

Thank you. I'm happy to answer any questions

Notes

¹ Maine Health Data Organization statistics.

² Schubel, Jessica and Matt Broaddus, "Uncompensated Care Costs Fell in Nearly Every State as ACA's Major Coverage Provisions Took Effect," *Center on Budget and Policy Priorities*, May 23, 2018. Web. Available at

<https://www.cbpp.org/research/health/uncompensated-care-costs-fell-in-nearly-every-state-as-acas-major-coverage>

³ Dranvoe, David, Craig Garthwaite and Christopher Ody, "The Impact of the ACA's Medicaid Expansion on Hospitals' Uncompensated Care Burden and the Potential Effects of Repeal," *The Commonwealth Fund*, May 3, 2017. Web. Available at <https://www.commonwealthfund.org/publications/issue-briefs/2017/may/impact-acas-medicaid-expansion-hospitals-uncompensated-care>

⁴ "Estimated Budget Impacts of Expanding MaineCare," *Manatt Health*, Feb 26, 2018. Web. Available at

http://www.mehaf.org/content/uploaded/images/reports-research/Estimated%20Budget%20Impacts%20of%20Expanding%20MaineCare_2018.pdf

⁵ MECEP calculation based on Maine Health Data Organization for FY 2017. The four "Group A" hospitals are Central Maine Medical Center, Eastern Maine Medical Center, Maine General Medical Center, and Maine Medical Center.

⁶ Ibid.

⁷ For a comprehensive list, see Antonisse, Larissa, Rachel Garfield, Robin Rudowitz and Samantha Artiga, "The Effects of Medicaid Expansion under the ACA: Updated Findings from a Literature Review," *Kaiser Family Foundation*, Mar 28, 2018. Web. Available at <https://www.kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review-march-2018/>

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March 6, 2019

LD 1001, An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds and Changing Certain Provisions of Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2019, June 30, 2020 and June 30, 2021

Support: Payments to Providers—funding for MaineCare Expansion (A-284); Language Part KKK directing the Department to conduct a study on the new expansion population; and Part BBB-1 codifying requirement regarding MaineCare coverage for 19 and 20-year olds

Good morning Senator Breen, Representative Gattine, Senator Gratwick, Representative Hymanson and distinguished members of the Appropriations and Financial Affairs and Health and Human Services Committees. My name is Christine Hastedt, I work for Maine Equal Justice. Maine Equal Justice is a civil legal services organization working with and for people with low incomes to reduce poverty and achieve equal access to opportunities that improves lives. I'm speaking this morning in support of three provisions included in LD 1001, related to MaineCare expansion and the protection of MaineCare coverage for young adults aged 19 and 20. We want to thank Governor Mills for including these important initiatives in her first biennial budget.

We are greatly heartened that nearly 9,000 Mainers already have access to healthcare as Maine joins the three-quarters of all states providing expanded Medicaid coverage under the Affordable Care Act. We are also pleased that, as anticipated, these newly covered individuals disproportionately live in the more rural parts of our state, with the highest enrollment as a percent of population in Washington County, followed by Aroostook, Somerset, Oxford and Penobscot. The first person I personally helped to enroll on January 2 of this year was a working mom with two children living in Aroostook County. She had just recently been diagnosed with cancer and tearfully told me that for her this coverage was truly the gift of life.

Not surprisingly this story is being repeated throughout the nation as more and more studies show improved in access to care, increased diagnoses of multiple diseases and conditions along with large numbers of adults finally receiving consistent care for chronic conditions. Nationally expansion states

have seen increased access to medications to treat opioid use disorders and increased utilization of smoking cessation services. Soon, 70,000 Maine people too will have access to these lifesaving services. And while doing all this good, we will also bring over \$830 M federal dollars into our state's economy to pay for health care services over the next biennium.

We also want to offer our support for Part KKK which proposes to study of the new Medicaid Expansion population. We agree that this will produce valuable information to inform future policy making.

Finally, we want to offer our support for the provision at Section BBB-1 codifying eligibility for young adults ages 19 and 20 at 156% of the federal poverty level. As the budget notes, this will not change the eligibility or coverage for these individuals but simply codifies in law eligibility and coverage that has been in effect in rule since 1991. While a budget blip in 2012 attempted to eliminate coverage for these young adults, the United States First Circuit Court of Appeals struck down that budget provision relying on the maintenance of effort provision in the Affordable Care Actⁱ. The language at Part BBB-1 simply codifies in law, what has been longstanding coverage for this group. Youth transitioning into adulthood have some of the highest rates of substance use disorderⁱⁱ, and higher rates of mental illness higher than older adults.ⁱⁱⁱ Early treatment for these conditions can make a lifelong difference for these individuals. This budget item will continue to protect that coverage.

Thank you for the opportunity to speak in support of these provisions that will make Maine people healthier. I'd be glad to answer any questions that you may have.

ⁱ Mayhew v. Sebelius, 772 F.3d 80 (1st Cir. Nov. 17, 2014)

ⁱⁱ <https://www.samhsa.gov/specific-populations/age-gender-based>

ⁱⁱⁱ <https://www.nimh.nih.gov/health/statistics/mental-illness.shtml>

Testimony in Opposition to LD 1001 2020-2021 Biennial Budget - Medicaid Expansion

Senator Breen, Representative Gattine, and distinguished members of the Joint Standing Committee on Appropriations and Financial Affairs, my name is Adam Crepeau and I serve as the policy analyst at The Maine Heritage Policy Center. Thank you for the opportunity today to testify in opposition to LD 1001.

The Maine Heritage Policy Center strongly opposes the first iteration of this biennial budget. One of the largest increases in the budget is due to the cost of Medicaid expansion. Over the biennium, this proposal would spend approximately \$146.7 million on Medicaid expansion for able-bodied, childless adults.¹ If enrollment projections are lower than actual enrollees in the program, the State of Maine would be liable to spend even more on these services.

When the Office of Program and Fiscal Review analyzed how much expansion would cost during the 2017 election when the program was fully implemented, it was projected expansion would cost \$54.5 million annually.² This budget substantially exceeds this estimate, a trend that is relatively common in other states that have expanded Medicaid. In fact, the Foundation for Government Accountability found that most states had significant cost overruns due to higher-than-expected enrollment in their Medicaid programs, more expensive per-person costs, or both.³

In just under two months, over 8,800 Mainers enrolled in Medicaid through expansion.⁴ If individuals continue to enroll at the current rate, we will exceed the 70,000 person threshold that was projected for this spending level in the budget by April 2020. Several states exceeded their enrollment projections within the first year of expansion. For example, Pennsylvania exceeded their projection of 531,000 enrollees within nine months.⁵ With enrollment possibly exceeding projections, how does the State of Maine intend to pay for the costs associated with higher enrollment?

¹<https://www.maine.gov/budget/sites/maine.gov.budget/files/inline-files/GF%202020%202021%20Part%20A.pdf>

² [https://ballotpedia.org/Maine_Question_2,_Medicaid_Expansion_Initiative_\(2017\)](https://ballotpedia.org/Maine_Question_2,_Medicaid_Expansion_Initiative_(2017))

³ <https://thefga.org/wp-content/uploads/2018/02/A-Budget-Crisis-In-Three-Parts-2-6-18.pdf>

⁴ <https://www.maine.gov/dhhs/expansion.shtml>

⁵ <https://www.medicare.gov/medicaid/program-information/medicaid-and-chip-enrollment-data/enrollment-mbes/index.html>

We the people of Maine...

THE MAINE HERITAGE POLICY CENTER

If the state has even a minor economic downturn over the next biennium and actual revenue does not equal or exceed the projections contained in the budget proposal, The Maine Heritage Policy Center is concerned that taxes may be raised or funding may be cut for the individuals who truly need assistance within the Medicaid program, as has occurred in other states. This would be a travesty and a disservice to all Maine people, especially those with developmental disabilities who currently sit on waitlists to receive services while we pony up nearly \$150 million over the biennium to provide Medicaid coverage to able-bodied, childless adults.

The Maine Heritage Policy Center would like some clarity as to why the cost of expansion has increased nearly 38 million over the biennium since 2017 and if we anticipate the annual cost to increase further as more individuals enroll under expansion. We urge the committee to deny this increase. Thank you.



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Home Care & Hospice
Inland Hospital
Maine Coast Hospital
Mercy Hospital
Northern Light Health Foundation
Sebasticook Valley Hospital

LD 1001 An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds, and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2019, June 30, 2020 and June 30, 2021

Testimony in Qualified Support

March 6, 2019

Senator Breen, Representative Gattine and members of the Committee on Appropriations and Financial Affairs my name is Lisa Harvey-McPherson and I am here today providing testimony on behalf of Northern Light Health and our member organizations to speak in qualified support of the hospital and MaineCare expansion funding portions of this bill. Northern Light Health member organizations include 9 hospitals located in southern, central, eastern and northern Maine, 8 nursing facilities, air and ground ambulance, behavioral health, addiction treatment, pharmacy and a statewide home care and hospice program. Ninety three percent of Maine's population lives in the Northern Light Health service area. Northern Light Health is also proud to be one of Maine's largest employers with over 12,000 employees statewide.

I am testifying on 4 specific aspects of the budget that will impact Northern Light Health member organizations:

- MaineCare Expansion
- Funding to Certain Hospitals for Individuals Waiting for NF Placement
- Rebasing the Hospital Tax from 2014 to 2016
- Offsetting Match Subsidy
- Automatic Rebasing Every Two Years

I want to begin by thanking the Governor for the budget proposal to fund the incremental cost of expanding MaineCare, \$69 million in 2020, \$78 million in 2021 and creating a \$29 million-dollar reserve account. This investment will draw down \$413 million to \$417 million in federal dollars to fund expanding health insurance coverage to thousands of Maine citizens. As we evaluate the impact of MaineCare expansion we anticipate the most significant impact will be a reduction in charity care. Last year Northern Light Health member organizations provided 9,123 individuals with charity care support totaling \$28 million dollars. We are not able to determine exactly how many will transition to MaineCare coverage as our charity care policy supports individuals with gross incomes below 150% of the federal poverty level, MaineCare

expansion will support those with incomes below 138% of the federal poverty level. That said directionally we anticipate positive improvement as individuals transition from charity care to MaineCare coverage. We also know that there are individuals who have health insurance coverage through the exchange who will transition out of commercial coverage into the MaineCare program. We are not able to estimate the exact number of individuals in our care that will transition but for those that do this will generally be a negative adjustment. Last year MaineCare paid member organizations \$53 million less than the cost of care provided. Commercial carriers pay at negotiated rates. We are closely monitoring the growth in MaineCare expansion enrollment and thank the department for the regular updates and mapping of increased coverage, so we can work to align increased coverage with the service capacity needed. Today we don't know if the majority of newly insured individuals require ambulatory services such as medication assisted therapy or more expensive care for cancer and surgeries. We will clearly be in a better position next year to articulate the upward and downward impacts of expanding MaineCare coverage. The study on the new Medicaid Expansion population outlined in section KKK of the budget will assist all of us to understand the impact of expansion. That said we have consistently supported expanding MaineCare to provide health insurance coverage to the most financially challenged Maine citizens.

We also support the budget proposal to provide funding for PL 2017, Chapter 454. This law requires DHHS to provide a reimbursement to acute care hospitals for each day after the 10th day that a MaineCare individual is in the hospital while seeking placement in a nursing facility. Patients "living" in hospitals due to a variety of community placement difficulties is a significant challenge for Maine hospitals. I have testified on several bills before the Health & Human Services Committee that address discharge placement challenges. On any given day, it is common to have Northern Light Eastern Maine Medical Center, Maine Medical Center, Central Maine Medical Center and Maine General hospitals with a full inpatient census, emergency rooms full with patients needing admission to an acute care bed and acutely ill patients in regional hospitals needing admission to the intensive care provided by the regional tertiary hospitals all of which have patients in acute care beds clinically qualified for discharge but stay in an acute beds for extended periods due to circumstances external to the hospital.

Now I will transition to testimony where we oppose the Governor's budget proposal. The budget rebases the hospital tax from 2014 to 2016 creating an additional tax on hospitals totaling \$13.3 million dollars. The budget then partially offsets the impact of the tax by a supplemental payment totaling \$10.8 million dollars per year. The hospital tax is equal to 2.23% of the hospitals net operating revenue as identified in the hospital's audited financial statement for the taxable year. We specifically oppose a supplemental payment that falls short of offsetting the tax increase. Northern Light Health member hospitals, like other hospitals in Maine, experience a net negative impact from the hospital 'tax and match' program. The negative impact totals millions of dollars each year.

Northern Light Health Hospital Tax and Match 5 Year Impact

Net Impact FY 2018	\$6,339,807
Net Impact FY 2017	\$5,930,647
Net Impact FY 2016	\$5,409,983
Net Impact FY 2015	\$4,618,191
Net Impact FY 2014	\$4,706,590
Five Year Net Negative Impact	\$27,005,218

We estimate that the impact of the budget "tax and match" proposal will result in Northern Light Health member hospitals paying \$350,000 more in tax than offsetting match received. Further exacerbating the negative impact on our organization.

The hospital tax along with underpayment from Medicare and MaineCare are among the factors eroding operating margins for hospitals in Maine. For fiscal year 2018 Northern Light Health had an annual net operating margin of 0.24% this is down from a net operating margin of 0.80% in FY 17.

We ask that the budget document be amended to include full match for rebasing the tax year to 2016 and remove from the budget language in section EEE that proposes to automatically rebase the hospital tax for each biennium to the next even numbered calendar year.

Thank you for the opportunity to provide comment on the Governor's budget proposal.



Maine Hospital Association

MAINE'S LEADING
VOICE FOR HEALTHCARE

TESTIMONY OF THE MAINE HOSPITAL ASSOCIATION

Proposed FY 2020-2021 Biennial Budget

March 6, 2019

Senators Breen and Gratwick, Representatives Gattine and Hymanson, and members of the Appropriations and Health & Human Services Committees, my name is Jeffrey Austin and I am here on behalf of the Maine Hospital Association. I am here today to express our support for Medicaid expansion.

The Maine Hospital Association (MHA) represents all 36 community-governed hospitals including 33 non-profit general acute care hospitals, 2 private psychiatric hospitals, and 1 acute rehabilitation hospital. In addition to acute-care hospital facilities, we also represent 11 home health agencies, 18 skilled nursing facilities, 19 nursing facilities, 12 residential care facilities, and more than 300 physician practices.

Medicaid Expansion (Page A-284).

Hospitals in Maine support Medicaid Expansion.

The primary benefit of expansion is for the currently uninsured individuals who must struggle to navigate and afford a health care system that is difficult enough when insured and overwhelming when not.

A secondary benefit of expansion is that it will provide an economic boost to our economy, including hospitals. Oftentimes, you are asked to choose between two spending initiatives -- but your total spending is the same and so the impact on the Maine economy is not markedly different depending on which initiative you choose.

That is not the case with Medicaid and particularly not the case with Medicaid expansion.

Medicaid expansion carries with it a 90% FMAP rate or federal match. Only if you expand, does approximately \$500 million in revenue get brought to our state. A portion of that revenue will be spent in hospitals. As such, our financial situation should improve.

It is very important to me that you understand the financial issue of expansion from the perspective of our members.

Expansion is not a “windfall” or bonus or even net positive gain for Maine hospitals – when the corresponding cuts to hospitals that were included in the ACA are accounted for.

The ACA cut hospital reimbursement in Medicare in order to increase the state’s Medicaid FMAP and thereby reduce the States’ obligation to finance expansion. The regular share of Medicaid for Maine in SFY 2019 is approximately 35-36%; under Medicaid expansion, the state’s share is only 6.5% (and will grow to 10%).

For the expansion population the “other 29%” of that would normally have been the responsibility of the state, was shifted to hospitals – not to the federal government. The State savings from the reduced FMAP is \$128 Million.

Corresponding, in 2019, the impact of the ACA-imposed Medicare rate cuts to Maine hospitals is \$125 Million. Hospital absorbed the increased FMAP taken by the federal government.

Hospitals need expansion to offset these losses.

The online news outlet Axios made this very point a few weeks ago in a brief review of the ACA and hospitals. It noted:

“Hospitals have faced sizable Medicare payment cuts from the ACA, but those reductions were largely offset by the law’s Medicaid expansion and other forms of coverage.”

Hospitals need financial benefit from expansion **simply to offset the losses** imposed by the ACA.

Some have speculated that hospitals would profit enormously from expansion. The facts are otherwise. Our goal is to finally be made whole – as the ACA promised.

Thank you for funding Medicaid expansion.

Conclusion

This is one the best Medicaid budgets for hospitals since the PIP payment system was eliminated 7 years ago. It seeks to take care of a lot of the basics.

The defining Medicaid initiative in this budget is expansion. We support expansion and we will benefit from it. The financing outlined in the budget for the state’s share of expansion costs appears responsible given the information we have at this time. Thank you for expanding Medicaid.

The hospital tax is an ongoing challenge for our members, our ask is that you simply not increase our already significant loss.

Thank you for accepting the testimony of the Maine Hospital Association.

Testimony in Support of LD 1001 (Biennial Budget), parts EEE and KKK

March 6, 2019

James Myall, Policy Analyst

Good morning, Senators Breen and Gratwick, Representatives Gattine and Hymanson and members of the Appropriations and Health & Human Services Committees. My name is James Myall and I'm a policy analyst at the Maine Center for Economic Policy (MECEP). I'm here to testify in support of parts EEE and KKK of the Governor's budget.

Part EEE (Hospital Tax)

Part EEE is a commonsense proposal to modernize our tax code and ensure no industry is being given unnecessary preferential treatment. Under current law, hospitals pay taxes based on their earnings from 2014, regardless of how their financial picture may have change since then.

Automatically rebasing the hospital tax each years, as this Part would do, should have been adopted long ago. No other company or individual gets to pay taxes based on years-old earning. Automatic rebasing simply makes sure Maine's hospitals are paying based on their current finances, just like you or I do.

For the biggest health care systems, the status quo allows them to pay much less tax than their financial situation warrants. For example, the net operating surplus for Maine Medical Center alone increased by more than \$260 million between FY 2014 and 2017.¹ As net operating surplus grows, the current hospital tax law provides a larger and larger tax break.

The Affordable Care Act helped many hospitals by reducing the number of uninsured and underinsured patients they must treat at a loss. But with our hospital tax stuck in 2014, those benefits aren't showing up in higher hospital tax receipts – just in hospitals' bottom line.² Medicaid expansion will provide even more benefits for Maine's hospitals. Studies suggest hospitals in states that have expanded Medicaid see uncompensated care costs decline by up to 40%.³

Independent consulting firm Manatt Health estimates that Maine’s hospitals will see an increase in annual revenue of \$121 million due to Medicaid expansion.⁴ This proposal to rebase the hospital tax will ensure that they help contribute to the cost of Medicaid expansion, while still coming out ahead financially.

It’s important to remember some key points about this tax. First, Part EEE will not increase the tax rate. I will simply make sure it’s assessed more fairly.

Second, this tax is largely paid by the biggest health care systems. The four largest health systems pay roughly half of the total revenue collected by the hospital tax.⁵ Even after accounting for expense, these same four organizations posted a total surplus (i.e. profit) of \$170 million in 2017⁶.

For fairness and simplicity, we would suggest going a little further than the governor’s budget proposal. Rather than rebasing the hospital tax every two years, it should be rebased annually. Just like everyone else, hospitals should be pitching in through taxes based on their most recent net revenues. We would also suggest the base year be updated to FY 2017, rather than 2016. We estimate those changes would increase revenue by roughly \$20 million over the biennium:

Table 1: Projected Impacts of Annual Rebasing

	<i>Fiscal Years</i>							
	2018	2019	2020	2021	2022	2023	2024	2025
Current law	103	103	103	103	103	103	103	103
Governor’s budget	103	103	113	113	130	130	141	141
Suggested changes	103	103	120	126	132	141	148	156

Figures in millions of dollars. MECEP calculations based on MHDO data. Projected revenues assume a 5% annual rate of growth (based on 2012-2017 average growth rate). Includes additional revenues from Medicaid expansion as calculated by Manatt Health.



**Testimony in support of the Governor's proposed 2020-2021 biennial budget
MaineCare Funding initiatives to return eligibly levels to 185% of the FPL for the state's Low-
Cost Drugs for Maine's Elderly and Medicare Savings Program (A-286) and to increase funding
for the state contribution to cover premium increases to cover prescription costs in Medicare
Part D (p. A-283).
March 6, 2019**

Senator Breen, Senator Gratwick, Representative Gattine and Representative Hymanson, and other distinguished members of the Joint Standing Committee on Appropriations and Financial Affairs and Health and Human Services. I am Ann Woloson, Executive Director of Consumers for Affordable Health Care (CAHC). Consumers for Affordable Health Care is a nonprofit, nonpartisan health advocacy and public policy organization with the mission to improve access to affordable, quality health care for all people in Maine. Consumers for Affordable Health Care supports the proposed budget initiatives described during this hearing, but wanted to specifically share with you our strong support of the proposal to return eligibly levels to 185 percent of the FPL for the state's Low-Cost Drugs for Maine's Elderly Program and Medicare Savings Program (A-286) and to increase funding for the state contribution to cover increased premiums for prescription coverage in Medicare Part D (p. A-283).

More than a quarter of all Medicare beneficiaries spend at least 20 percent or more of their incomes on health coverage premiums and medical care, including cost-sharing and uncovered services. Beneficiaries with incomes below 200 percent of the poverty level (about \$24,000 gross income for a single individual) and those with multiple chronic medical conditions are at significant financial risk.¹ Raising eligibility for the Medicare Savings Program and Maine's Low-Cost Drugs for Maine's Elderly Programs to previous eligibility levels will be a small thing we can do to help our low-income seniors access the health care they need and for many to remain independent. By providing greater assistance, older Mainers with low income can achieve savings in their monthly budget – savings that can be used for basic needs and other necessities such as food, housing, transportation and heating fuel.

Polling by Critical Insights conducted this past fall shows that three quarters of Maine people are concerned about the high cost of prescription drugs, with 66percent indicating they are concerned about not being able to afford the prescription drugs they need (Concern about many of these issues is particularly high in the second congressional district).² Information provided on the Maine Health Data Organization website shows that many of the drugs with the highest cost increases over recent years are for the treatment of chronic disease (diabetes and drugs to prevent heart attack or stroke for example). It's no secret that high drug costs are a concern to payers, consumers and policymakers alike. Modestly increasing eligibility for these Programs and increasing funding to help some seniors afford increases in Medicare Part D prescription drug premiums will go along way in helping older Mainers access the prescription drugs and medicine the need. Please support these budget initiatives.

¹ Medicare Beneficiaries' High Out-of-Pocket Costs: Cost Burdens by Income and Health Status, https://www.commonwealthfund.org/sites/default/files/documents/media_files_publications_issue_brief_2017_may_schoen_medicare_cost_burden_ib_v2.pdf. May, 2017.

² Summary Report of Findings from the Critical Insights on Maine Survey for Consumers for Affordable Healthcare, Oct. 2018.

