

MaineHealth

**Testimony of Katie Fullam Harris
MaineHealth
Regarding Certain Sections in LD 221
The Governor’s Proposed Biennial Budget
Before the Joint Standing Committees on Appropriations and Financial Services and
Health and Human Services
February 17, 2021**

Senator Breen, Representative Pierce, Senator Claxton, Representative Meyer and distinguished members of the Joint Standing Committees of Appropriations and Financial Services and Health and Human Services, I am Katie Fullam Harris of MaineHealth, and I am here to testify on those sections of the proposed budget that address behavioral health services in Maine.

MaineHealth is Maine’s largest integrated non-profit health care system that provides a full continuum of health care services to the residents of eleven counties in Maine and one in New Hampshire. Our scope of services range from primary and specialty physician services to a continuum of behavioral health care services, community and tertiary hospital care, home health care and a lab.

During the pandemic, MaineHealth’s hospitals have played a vital role in caring for patients with COVID-19:

- As of the beginning of January, our nine MaineHealth acute care hospitals have treated over 62% of the hospitalized COVID-19 patients statewide;
- Our full service lab, NorDx, has played a critical role in processing tests for COVID-19 in Maine, and as of yesterday, NorDx had processed 414,220 tests for COVID-19.
- And over the last two months, as part of our mission of “Working Together So Maine’s Communities are the Healthiest in America,” we are now fully engaged in leading the effort to vaccinate the residents of the counties we serve. We have the capacity to vaccinate 25,000 people per week, with vaccination clinics set up by each of our local health care systems and staffed by up to 750 care team members every day who have been redeployed from other roles, many of which involve working from home. This is a massive undertaking, and one that will eventually help Maine regain its economy as our residents are vaccinated and can slowly return to normal activities.

This is a difficult year by anyone’s standards. We appreciate the challenging environment in which the State finds itself, with reduced revenues and uncertain times ahead. The Governor’s proposed budget attempts to walk a fine line in this uncertain economy, and in many respects it does so successfully. However, the budget does contain cuts to Maine’s health care systems that they can ill afford. The COVID-19 pandemic continues to have an unfavorable impact on our System’s

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financial performance. As you know, the pandemic interrupted patient care delivery in March 2020 and has, as some predicted, further challenged us with a second surge that is subsiding but ongoing. As a result of canceled or delayed patient care and additional expenses related to COVID-19 precautions, we currently estimate that the unfavorable financial impact of this pandemic, before provider relief funds, will be nearly \$380 million. To date, provider relief program funds totaling \$205 million have covered part of this gap leaving our System with a forecasted unfavorable impact of up to \$175 million.

The proposed budget includes reductions to hospitals that will negatively impact MaineHealth's local health systems by an estimated \$8 million annually. These reductions primarily come from Tax and Match payments and cuts to the 340B program, a federal program that is intended to provide hospitals that serve a high percentage of Medicaid patients discounted pharmaceutical prices for outpatient drugs. The intent is to "stretch scarce federal resources as far as possible, reaching more eligible patients and providing more comprehensive services (HRSA website). And we are audited regularly to prove adherence to that intent.

340B Program

The proposed budget extends a reduction to the 340b program that was included in the Supplemental Budget in which the State proposes to cut reimbursement for outpatient drugs that are administered in hospital settings from current Medicaid rates to the hospital's 340b costs. Because this is a cut to a MaineCare program, the savings generated to the State is substantially less than the negative impact on the hospitals – just over \$2 million in annual savings to the State, but an impact of nearly \$7 million annually to Maine's hospitals.

At the same time, the budget proposes to develop a preferred drug list and prior authorization process for physician-administered drugs when a biosimilar equivalent that is eligible for rebates is available. If MaineCare is collecting rebates for these drugs, it will disallow hospitals' ability to carve them in at 340b rates. The cost savings will go to the State, rather than the hospitals. Though we have not been able to calculate the direct impact to MaineHealth, this adds an additional \$2 million per year in negative impact to Maine's hospitals as well.

Tax and Match

Maine's non-profit hospitals have grudgingly tolerated Tax and Match for many years. And we do so with the understanding that the match will, on average, attempt to make hospitals whole. MaineHealth loses approximately \$6 million per year on Tax and Match now. The budget document proposes a match that is just 95% of the tax. This adds to the negative impact to MaineHealth's hospitals of over \$5,000,000 per year, for a total impact of \$11 million per year. If we are to participate in this program, it is only reasonable that the State provide a match that is the equivalent of the tax.

Bed Hold Days

As we testified on the Supplemental Budget, the elimination of reimbursement for direct care costs for bed hold days at nursing facilities is concerning. These payments ensure that nursing facilities hold beds open for patients when they are admitted to the hospital, thus preventing patients from getting stuck in the hospital when they are ready for discharge. While this problem preceded COVID, it has been exacerbated by the pandemic. On any given day right now, we have up to 50 patients stuck at Maine

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Medical Center awaiting discharge to a SNF or NF. Should the state payment be eliminated, it will only serve to increase that problem.

Population Health Payment

One question that is worth noting in the proposal relates the line item that would collapse several existing primary care incentive programs, including Health Homes and Primary Care Case Management and created a population health payment program. As strong advocates for primary care, MaineHealth is intrigued by this proposal and we hope that the Department seeks our input in developing a population health incentive model that is successful for patients and providers

I appreciate your patience and attention. Maine's health care providers are doing all that they can to meet the needs of our communities during this very challenging time. We look forward to working with you to ensure that we maintain necessary support for our health care system to meet the needs of our communities going forward.