Maine Hospital Association

MAINE'S LEADING
VOICE FOR HEALTHCARE

Response to Committee Questions

LD 1715 – *An Act To Ensure Rural Patient Populations Receive Safe and Effective Health Care*

Work Session: January 25, 2017

Senator Brakey, Representative Hymanson and members of the Health and Human Services Committee please accept these answers to the questions you posed to MHA regarding LD 1715.

Here are the questions and answers:

1. Sanderson*: What is the impact of high deductible plans on hospital bad debts*?

Hospital bad debts occur when a patient does not pay a bill for services provided. It is distinct from charity care where no bill is sent. Hospitals undertake collection efforts within the limits of the law. At some point, those collection efforts have failed and the debt is taken off the hospital's books.

Accordingly, the more a patient is exposed to the costs of healthcare, the likelihood that the bill goes unpaid increases; as does the amount of the bill.

A high deductible health plan (HDHP) is a technical term describing any health plan where the deductible is high enough to qualify that worker to have a corresponding account with federal tax benefits (either a health savings account (HSA) or a health reimbursement account (HRA)).

Enrollment in HDHP exploded last decade and continue to grow more today. Nationally, 42% of workers have high-deductible plans; in Maine, 56% of workers have high deductible plans (8th highest nationally).

Also, the amount of the average deductible is very high in Maine. For single person coverage, the average deductible in Maine is over $2,100; the third highest in the country (national average is just under $1,700).

Finally, the growth in deductibles far outpaces the growth in premiums nationally. Premium growth has hovered around 2-3% for the past few years; whereas growth in average deductibles grew at a rate of 14% in 2015 and 10% in 2016.

(Data source is SHADAC.)

These trends are reflected in the growth in hospital bad debt (vs. charity care).

	2000-2009	2010-2015
Bad Debt	7%	10%
Charity Care	16%	7%

Accordingly, bad debt and charity care have flipped in terms of what is growing more rapidly. Each continues to grow, but as the uninsured rate has declined and the HDHP penetration has increased, the relative growth rates have flipped.

2. **Hymanson*: What is the status of services like Life Flight, which are essential to getting rural residents emergency care*?**

I think this is an excellent question and Maine would be wise to understand what are the infrastructure needs as inpatient care continues to migrate to larger hospitals.

I don't think I know exactly what you are looking for here and so I don't have anything to say except that we agree that understanding these infrastructure assets is important.

Lifeflight conducts almost 2,000 transports per year. This is up from 1,500 five years ago and 500 15 years ago.

We would expand the conversation to other infrastructure needs like regular ambulances and information technology infrastructure.

I understand that their financing requires a lot of work. That is, they often rely on small towns to appropriate funding each year. Houlton, for example, decided not to renew its funding this year.

You may want to meet with them to understand their annual operating budget challenges.

3. **Chace*: What is the existing hospital closure notice law*?**

It is 22 MRSA §1822 (Notice when Nursing Home Voluntarily Closes.) Don't be fooled by the title, it applies to hospitals as well.

4. Denno: ***What ideas do you have regarding what the state could do to help*****?**

We have many ideas but they generally cost the state money:

1. Reform the hospital tax so that hospitals don't lose $25M per year. Hospitals should be treated like other MaineCare providers and like most hospitals in other states.
2. Reverse the 10% outpatient rate cut that was arbitrarily imposed 4 years ago.
3. Fund LD 401 which provides hospitals some reimbursement for uncompensated care costs treating Medicaid patients who are awaiting placement in a long-term care facility.
4. Fund the community discharge options we need in Maine (e.g., beds for: brain injury; sexually inappropriate seniors, and other gero-psych; crisis beds for adolescents).
5. Fund a Medicaid DSH program for hospitals like virtually every other state in the U.S.
6. Reform Maine's unique free care mandate to align its provisions with the availability of subsidies to get substantially subsidized health insurance policies on the exchanges.
7. Implement Medicaid expansion.

5. Hymenson/Denno: ***What is the anticipated impact of Medicaid Expansion on hospital finances?***

Our primary reason for supporting expansion has been our belief that providing health insurance coverage to those in need will greatly assist those individuals and allow them to be more productive members of society.

We also believe there will be some positive impact for hospital finances. How much exactly is very difficult to answer because there are so many factors at play.

<u>Positive factors</u>:

- **Drop in uncompensated care costs**. Kaiser has estimated that the drop in uncompensated care costs in expansion states has been 41%. However, this is not entirely attributable to expansion (non-expansion states saw a drop of just over 6%). What will Maine's experience be?
- **Additional Medicaid revenue**. Looking at the Medicaid program as it stands today, hospitals receive approximately 25% of the total Medicaid spend in Maine. Remember however, that this is a gross amount of payment and not a net number since hospitals lose money treating Medicaid patients generally (more below).
- **Administrative expense**. Uninsured individuals prompt hospitals to spend a great deal of administrative time helping these individuals seek coverage options. Also, there is time spent trying to help the uninsured patient navigate the remainder of the

health care system in finding care that the hospital doesn't provide. These administrative expenses should go down.

- **Other benefits**. There are some federal programs for hospitals, such as the drug discount program known as "340b," that are triggered by the amount of care provided by the hospital to Medicaid patients. As that volume increases, more hospitals may be eligible for these helpful federal programs.

Negative factors:

- **Losses on Medicaid Patients**. Hospitals are not going to receive Medicaid expansion dollars for nothing (this is not Medicaid DSH); they have to incur the costs of providing care to Medicaid expansion patients in order to receive the gain of increased Medicaid reimbursement. In Maine hospitals lose 30% treating Medicaid patients ($1 in care costs is reimbursed 70-cents). However, our belief is that the rate of loss will be less than 30% for the expansion population (additional marginal cost).
- **Reduced Commercial Coverage**. There are going to be two sources of reduced commercial insurance coverage as a result of Medicaid expansion. Commercial coverage is generally better for hospital finances since the reimbursement rate is much higher.

  First, some individuals between 100-138% of the federal poverty level will be forced to drop their ACA-subsidized exchange policies and to enroll in Medicaid. Second, there will be some individuals who have workplace coverage who will voluntarily drop coverage and enroll in Medicaid due to lower out-of-pocket costs (such as premiums and co-pays).

Determining a net number is a challenge and we have not done so. It will not be as simple as calculating the hospital share of the increased Medicaid spend. That is a gross number, not a net number. Nor is it as simple as calculating the savings from reduced uncompensated care. Again, that is a gross number, not a net number. We believe there is a some financial benefit. Since 19 hospitals are in the red and the aggregate margin is a very thin 0.3% in calendar year 2016 it will help. Its not a silver bullet to solve all financial challenges, but it should help.

6. *What cuts are looming in Congress*?

See attached.

Thank you.

33 Fuller Road, Augusta, Maine 04330
Phone: 207-622-4794 Fax: 207-622-3073
Web site: www.themha.org