

MaineGeneral Health



LD 210, "An Act Making Unified Appropriations and Allocations from the General Fund and Other Funds for the Expenditures of State Government and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2025, June 30, 2026 and June 30, 2027"

February 12, 2025

Dear Senator Rotundo, Representative Gattine and distinguished members of the Committee on Appropriations and Financial Affairs:

My name is Steve Diaz, MD. I am the Chief Medical Officer of MaineGeneral Health and a resident of Waterville. I recognize the many challenges you face in weighing the complex decisions for the biennial budget. Maine's nonprofit hospitals also are facing difficult financial challenges.

I want to specifically address this budget proposal's cut in MaineCare reimbursement rates to hospital-affiliated medical staff, giving you some perspective on how physicians have come to be largely employed by health systems, as well as the real impact this cut would have on access to care.

When I came to practice at MaineGeneral in 1996, only Emergency Department physicians and psychiatrists were hospital-employed. Everyone else was in private practice.

By the time I became a hospital vice president in 2007, practices in Kennebec County were asking to join us, as they could not keep up with practice expenses and pay themselves.

Maine is now heavily reliant on physicians being employed by hospitals, but it is not because hospitals have been eager to absorb private practices. Physician practices are difficult and expensive to run. There are many reasons for this, including electronic medical records, quality reporting requirements and medical malpractice. Additionally, hospitals in Maine are now recruiting on a national basis.

A private practice physician could expect their net receivables to give them a competitive salary, usually around 40 percent of their net. The other 60 percent of the net went to paying staff and overhead.

With electronic medical records and all the other added expenses, as well as a reduction to physician fee schedule payments, prior authorizations and many other administrative tasks, private practice was not sustaining the area physicians.

To support a system of health care, and have the right team to provide the care, physicians turned to the hospitals to employ them.

We pay physicians based on national averages to recruit and retain, which is **more** than 40 percent of the net of physician receivables, especially here in Kennebec County, where 70 percent of our payers are government payers.

The result: hospitals make up the gaps for meeting physician salary requirements – in addition to other expenses – while not generating the revenue to cover this gap. We are not actively seeking to acquire private practices, quite the contrary. If the practices could succeed as private entities, that would reduce the financial strain on hospitals, especially rural hospitals.

To preserve access to key services, we've taken on private practices – not all of them, but certainly those we feel are critically needed in our community. That's why MaineGeneral took on a primary care practice in Oakland in May 2023, a pediatrics practice in Waterville in April 2024 and an Augusta and Waterville-based OB/GYN practice in June 2024.

In fiscal year 2024, MaineGeneral lost \$14.9 million. If the proposed cut in this biennial budget is approved, we stand to take a \$6 million financial hit. Such losses would require us to consider programmatic cuts.

We respectfully ask you to reconsider the cuts to MaineCare reimbursements to physicians employed by hospitals. Thank you.