



Northern Light Health
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LD 258 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, 2023, June 30, 2024 and June 30, 2025

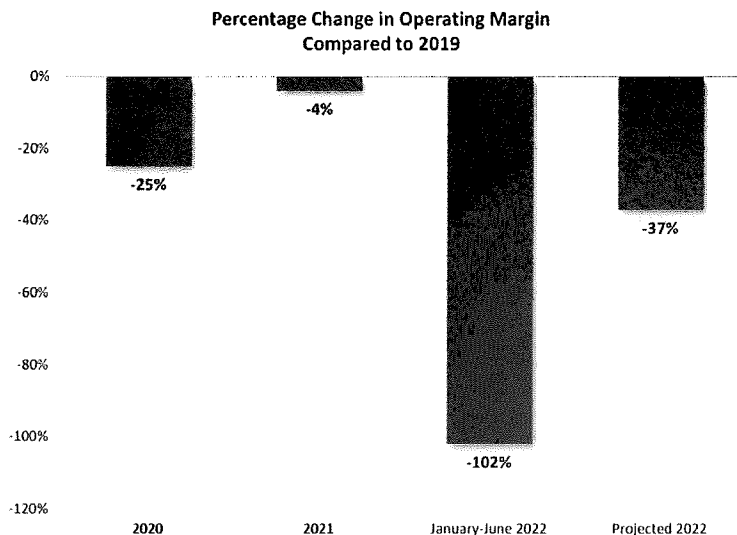
**Testimony in Support
February 23, 2023**

Senator Rotundo , Representative Sachs and members of the Appropriations and Financial Affairs Committee, Senator Baldacci, Representative Meyer and members of the Health and Human Services Committee my name is Lisa Harvey-McPherson, RN. I am here today providing testimony on behalf of Northern Light Health and our member organizations, and I am speaking in support of this bill. Northern Light Health member organizations include 10 hospitals located in southern, central, eastern, and northern Maine, eight nursing facilities, air and ground medical transport, behavioral health, addiction treatment, pharmacy, primary and specialty care practices, and a state-wide 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 more than 12,000 employees statewide.

I want to begin by thanking the Legislature and Governor Mills for the COVID-19 supplemental funding passed in the supplemental budget. We also thank Governor Mills for funding increases in the biennial budget to address the significant financial challenges impacting hospitals. As I noted in my testimony on the supplemental budget we are challenged in ways that are historic for our health system and hospitals. This is not unique to us as hospitals throughout Maine and the nation face similar challenges. In 2022, the American Hospital Association engaged Kaufman Hall to conduct an analysis of hospital finances. The report documents that hospitals have faced a profound financial toll incurring serious financial losses in 2022 compared to pre-pandemic. The report goes on to state that US hospitals were likely to face billions of dollars in losses in 2022 under both optimistic and pessimistic models which would result in the most difficult year for hospitals and health systems since the pandemic. Expenses increased at an unprecedented pace including cost of labor, medical supplies and pharmaceuticals. Kaufman Hall estimates that expenses are projected to remain approximately 20-25% above pre-pandemic levels. Below is a chart published in the Kaufman Hall report projecting a possible 133% decline in hospital operating margins.

Northern Light Health
Acadia Hospital
A.R. Gould Hospital
Beacon Health
Blue Hill Hospital
C.A. Dean Hospital
Eastern Maine Medical Center
Home Care & Hospice
Inland Hospital
Maine Coast Hospital
Mayo Hospital
Mercy Hospital
Northern Light Health Foundation
Northern Light Laboratory
Northern Light Pharmacy
Sebasticook Valley Hospital

Projected Margins Are on Track to Make 2022 the Worst Year for Hospitals Since the Beginning of the Pandemic



KEY TAKEAWAYS

- The first six months of 2022 have been extremely difficult, with the median margin remaining negative.
- Initial results from the beginning of the second half of 2022 indicate continued challenges, with margins remaining firmly negative.
- Optimistic projections for the entirety of 2022 indicate margins will be down 37% relative to pre-pandemic levels.
- Pessimistic projections for 2022 show a possible 133% decline in margins.

Maine's hospitals fall in line with the national trend. Data collected by the Maine Hospital Association in the fourth quarter of 2022 documents that 57% of hospitals experienced negative operating margins. Maine is also uniquely challenged by our payer mix, with a large percentage of payments coming from Medicare and MaineCare. Government payments do not adjust to real time cost increases and reimburse us below the cost of providing care and the gap has grown significantly with the rapid escalation in expenses. For Northern Light Health, the impact is historic. For fiscal year 2022 we experienced a loss of \$132 million dollars. Operating expenses increased by \$168 million dollars in fiscal year 2022 over the previous fiscal year. As a health system we are working closely with our clinical and operational leaders statewide to implement a recovery plan that restores a solid financial foundation for the future.

The biennial budget provides funding to increase hospital inpatient payments as part of broader reimbursement reform for hospitals. MaineCare as not adjusted rates for inpatient care in 10 years and as I have described costs have increased significantly. We are in full support of a much-needed increase in payment for inpatient care. We estimate that the increase will be a 6.4% adjustment over our current rates. It is important to note that MaineCare reimburses our hospitals at 67% of the cost to provide inpatient care resulting in a \$68 million dollar shortfall for MaineCare funded inpatient services. Given the length of time since the last payment adjustment and estimates that expenses are projected to

remain approximately 20-25% above pre-pandemic levels we request that the funding for hospital inpatient rates be increased to cover the cost of providing inpatient care.

The biennial budget also rebases the hospital tax to 2019-2020 cost reports and reduces the tax supplemental funding payment to hospitals (Page A-367). The hospital "tax and match" program results in another negative financial impact to Northern Light Health. In 2022 our hospitals paid \$36,607,770 in tax and received \$28,247,047 in offsetting match. This results in a net negative impact of \$8,360,724 for our health system. Rather than reducing the tax supplemental payment to hospitals by \$4.3 million dollars (state and federal) we ask that the supplemental payment be paid out to hospitals to offset the net loss of the tax.

The biennial budget includes funding for cost-of-living adjustments and rate study implementation for children's services, we support these investments. Every day we have behavioral health patients in our emergency departments who are stuck waiting to access services, mostly inpatient or residential level of care. The most critical trend is the escalation of behavioral health children living in our emergency departments. The Office of Child and Family Services reports that 861 youth were in hospital emergency departments for 7-10 days waiting to access behavioral health care between January 1st and October 31st, 2022. One hundred eighty-four of these children were in Northern Light Health emergency departments in 2022. Some of these children are stuck in emergency departments waiting for days, weeks, and sadly months before placement is available. Given the critical need for behavioral health residential care beds we ask that the department provide information on the net increase in residential bed capacity that will come from the increased funding so we can project the concurrent decrease in behavioral health youth living in our emergency departments and the decrease in length of stay for children in Northern Light Acadia hospital due to the lack of residential beds needed for discharge.

The biennial budget also includes increased funding for nursing facilities, we also support this investment. In general, on any given day we are now up to 62 nursing facility patients in a Northern Light Health acute care bed, many are with us for months. At the same time on any given day, we have individuals in our emergency departments waiting for admission to inpatient care, and gravely ill patients in small rural hospitals waiting for admission to Northern Light Eastern Maine Medical Center for specialty care. Nursing facilities provided testimony that the proposed funding still falls short of the cost per day to care for residents and facilities continue to be at risk of closing. We strongly urge you to support the resources needed that will fund increasing their patient capacity to 100% of licensed beds. This is needed to support access to inpatient care statewide.

You also received testimony from the Home Care & Hospice Alliance of Maine for COVID-19 supplemental payment support to offset the escalation in costs we support this request.

I also want to emphasize the urgency in the timing of increased funding for children's behavioral health and nursing facilities. It will be an unacceptable outcome to have children living in emergency departments and nursing facility patients living in our hospitals for another two years due to timing of studies and rate setting rules.

Thank you for the opportunity to share our comments on the Governor's biennial budget proposals impacting health care and hospitals.