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NEWS

Maine tax increase for York Hospital could be 'death knell,' local leaders warn

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YORK, Maine — A MaineCare rate reform initiative in Maine's forthcoming supplemental budget will, if passed, raise taxes on all Maine hospitals. The impact could be disastrous for York Hospital.

Dr. Patrick Taylor, chief executive officer of York Hospital, said he will speak to leaders at the Maine Department of Health and Human Services and the Maine Hospital Association in the hopes he can get them to better understand the negative impact awaiting York Hospital.

Maine DHHS and the Maine Hospital Association announced Tuesday a "\$90 million investment" in MaineCare, stating it would "maintain or increase payments to every medical center in Maine and improve care for Maine people."

However, as part of this plan, York Hospital would, after five years, lose a multi-million-dollar exemption because of its location in a tourist community with fluctuating population near competing hospitals in New Hampshire.

"If enacted as things stand now, it will be detrimental to the communities we serve," said Taylor. "This is not the right move for healthcare in southern Maine. I would hope we can enlighten them, and we can continue to offer the quality care we do and have done for more than 100 years. We want to keep care locally, so people do not have to travel for routine care and especially for emergency services."

The tax increase for York Hospital is estimated to be about \$2 million a year. After five years, it will also eliminate about \$5.6 million in annual tax exemptions the facility has had in place since the late 1990s. Removing the exemptions and raising taxes will decimate the resources of York Hospital, Taylor said.

Taylor said the impact could be devastating.

"We, hospitals in Maine, are taxed based on net revenue," Taylor said. "We are a nonprofit independent hospital, and we see everyone, regardless of insurance, ability to pay, and regardless of them being MaineCare (Medicaid) patients. Because of our demographics, we do not see as (many) MaineCare patients as do other areas, even though we reach out to surrounding communities with walk-in care. Some money comes back to us in reimbursements — not nearly what we are putting out in services, hence the negative numbers."

Taylor said York Hospital is currently taxed on net revenue but already ends up \$1.6 million in the negative. He said if the changes pass as proposed, the negative will increase by \$2.4 million. Take away the \$5.6 million the hospital gets in tax exemptions because of its unique location and characteristics, and the hospital would be down almost \$8 million, he said.

Why York Hospital has exemption and why it is in danger of losing it

State Sen. Mark Lawrence, D-York, said the change is slated to be voted on as part of the supplemental budget, likely in March or April. He said the tax increase and terms are now in negotiations between the Maine Hospital Association and Maine DHHS.

Lawrence said York Hospital received its tax exemptions, called the Critical Access Hospital Exemption, because of its location on the southern Maine border and the region's massive increase in people requiring healthcare services during the summer tourist season.

"The exemptions were put in place because York Hospital services a large population in the summer when tourists and snowbirds are in the area and a much smaller population in the off-season," he said. "This helped the hospital hold sufficient staffing through the winter months, so they'd be ready for the crush of summer. It also allowed the hospital to hold strong against HCA and Wentworth-Douglass."

HCA owns Portsmouth Regional Hospital in New Hampshire, and Wentworth-Douglass Hospital of Dover, New Hampshire, is owned by Mass General Brigham. Both are a short drive from York.

"I am hoping the administration will look at this and see the rationale behind leaving what is in place here," Lawrence said. "York Hospital, as a border town to New Hampshire, is in a unique situation where they have big New Hampshire hospitals as competition."

Jackie Farwell, a spokesperson for Maine DHHS, said the proposal includes a transitional payment to assist York Hospital, which has a "unique grandfathered funding structure, in moving to the new system consistent with all other acute care hospitals in the state."

"York has had a special arrangement compared to other hospitals in the state that dates back many years," said Farwell. "The proposal structures the reimbursement to York so that, based on information available in the fall of 2023, they will be not disadvantaged by hospital rate reform during the 5-year transition period. Through 2029, York is targeted to receive \$28 million cumulatively (\$5.6 million annually) in addition to their regular Medicaid reimbursement."

Farwell said the \$2 million represents their annual tax impact.

"It (the exemption) is built into the state budget, and has been for years," said Lawrence. "So, I do not see the value in taking it away. I hope the state officials will realize that, too."

Lawrence said York Hospital has been very innovative in maintaining success in a tough market. He said Taylor told him to make these changes would mean he would have to reduce his staff by 20%.

"There is no way they could succeed with that, especially during the busy summer months," said Lawrence. "I think Augusta needs to realize that the state does not stop at Biddeford and Portland. York Hospital is unique and people in the southern part of the state rely on them. Emergency officials in those towns look to York for medical services."

Maine DHHS and Maine Hospital Association tout changes

"This proposal provides our members with needed Medicaid rate increases at a critical time," said Steve Michaud, president of the Maine Hospital Association, in a DHHS press release.

"Drawing down additional federal Medicaid dollars helps hospitals and their caregivers, eases the burden of escalating costs on Mainers and businesses who are paying for care, and helps the Maine economy at the same time. We thank the Department of Health and Human Services for its partnership in developing this plan that supports the health of Maine people."

"No one wanted to do this to York Hospital," said Michaud, reached by phone. "We did manage to negotiate a five-year reprieve for them on phasing out the tax exemptions. That represents the state's effort at not hitting them with the full amount right away. It is a bridge

effort as the state looks at what is best for all the hospitals, while trying to minimize the impact to York."

Why is the state raising taxes on its hospitals?

Michaud said it's a matter of equity.

"We have not seen an increase in Medicaid reimbursement in 15 years," said Michaud. "So, the state is doing a payment reform measure. When completed it will mean better reimbursement to the state medical facilities with a reallocation of the way federal dollars are distributed. If approved, we expect the changes to begin taking place on July 1."

York Hospital's leader is concerned, to say the least.

"I would like to think that if we meet and we can make them fully understand the implications, they may work with us on a solution," said Taylor. "Our workforce is close to those bigger hospitals, so our salaries need to be competitive. Taking away the tax exemptions does nothing to help MaineCare and will do a lot to harm York Hospital. They were put in place before my time, with the purpose of addressing the uniqueness of our hospital location."

MaineCare rate reform details

The Maine DHHS and Maine Hospital Association announcement stated the agreement to reform hospital reimbursement rates will improve the health of Maine residents.

The proposal affects every medical facility in the state (except psychiatric hospitals), which will receive the same or a higher reimbursement for MaineCare patients, based on 2023 data. The release says, "The agreement maximizes the available funding under federal payment limits and is subject to approval by the U.S. Centers for Medicare and Medicaid Services."

"This agreement helps MaineCare to move away from outdated and arbitrary rates and toward a uniform and fair system at a time when existing sources of ongoing revenue alone are not enough," said DHHS Commissioner Jeanne Lambrew. "We thank the Maine Hospital Association and its members for their partnership in developing and supporting this proposal that meets our shared goal of improving the health and quality of care for Maine residents."

According to DHHS, the initiatives in the supplemental budget include:

Support MaineCare rate reform for hospital inpatient and outpatient services by investing \$90.3 million in federal and state dollars in state fiscal year (SFY) 2025, starting July 1, 2024.

Finance most of this rate investment by increasing the hospital tax rate from 2.23 to 3.25 percent, raising \$29.5 million in SFY 2025, starting January 1, 2025, to complement the federal share of these MaineCare (Medicaid) payments.

Add \$2.5 million of general funds to the \$6.3 million already in the FY24-25 biennial budget to help with rate reform, including for a transitional payment to assist York Hospital, which has a unique grandfathered funding structure, in moving to the new system consistent with all other acute care hospitals in the state. This payment to York Hospital is targeted, based on data shared with hospitals, to total \$5.6 million annually for the next five years.

As part of rate reform, the plan would repeal both the tax on and supplemental payment to critical access hospitals effective December 31, 2024, while adjusting cost reimbursement from 109 to 104.5% starting on July 1, 2024.

Additionally, the budget proposal would direct that net hospital tax revenue be directed to the "Medical Care – Payments to Providers" program in the Department of Health and Human Services to be used for MaineCare hospital payments.

The agreement builds on MaineCare payment improvements to behavioral health providers, federally qualified health centers, and for inpatient psychiatric and substance use care, which was implemented in July 2023 with a similar transition payment to Northern Maine Medical Center.

What if York Hospital is forced to close?

Lawrence predicted the proposed tax increases, due to reach the Legislature in little over a month, would be a death knell for York Hospital.

Michaud said the closest hospital to the York area is Southern Maine Health, located in Biddeford.

Emergency crews, and regular clients of York Hospital will be forced to travel north for services or cross the border into New Hampshire.

"We do not want to see that happen, and I hope it's premature to speculate on this," said Taylor. "We hope to remain here, offering the quality care we do, in perpetuity. We want to

keep care local for the people of southern Maine."