



Testimony of Katie Fullam Harris
MaineHealth
In Opposition to Proposed Cuts in the Governor's Proposed Biennial Budget
February 12, 2025

Senator Rotundo, Representative Gattine, Senator Ingwersen, Representative Meyer and distinguished members of the Joint Standing Committees on Appropriations and Financial Services and Health and Human Services, I am Katie Fullam Harris, Chief Government Affairs Officer at MaineHealth, and am here to explain the implications to the delivery of health care in Maine that will result from several of the proposed changes to health care services that are included in the proposed budget.

MaineHealth is a not-for-profit, integrated health system whose vision is "Working together so our communities are the healthiest in America." We are further committed to a mission of providing high-quality affordable health care, educating tomorrow's caregivers and researching better ways to provide care. MaineHealth includes a Level 1 trauma medical center, eight additional licensed acute care hospitals, comprehensive pediatric care services, an extensive network of community outpatient and inpatient behavioral health care, as well as home health, hospice and senior care services. With more than 2,000 employed providers and approximately 24,000 care team members, MaineHealth provides preventive care, diagnosis and treatment to 1.1 million residents of Maine and New Hampshire.

Cuts to Hospital-Based Physicians

Maine's health care organizations are under incredible financial stress. This is particularly true of non-profit organizations, including hospitals, that provide care to all in need, regardless of ability to pay. MaineHealth's FY '24 operating margin was just .9%, after consideration of some one-time payments the margin drops to barely break even. This is well below the margin necessary to invest in the infrastructure and technology needed to provide access to high quality care for our communities into the future. Though MaineHealth has prioritized workforce investments and access to care, our financial situation has resulted in deferred maintenance on buildings and delayed replacement of

needed equipment, both of which will have long term consequences – such as delayed care - if not addressed in a timely way.

We have divested of some of our long-term care facilities due to increasing operating losses and aged facilities that required replacement. And we are not able to contemplate growth in behavioral health programs that are desperately needed by our communities.

Despite the precarious position in which Maine's hospital systems find themselves, the proposed budget includes cuts that, if enacted, will inevitably lead to service reductions.

Of greatest impact is a provision that would cut payments for the care our outpatient physicians provide by \$85 million within the five-year period identified on page A-356. That represents a loss of over \$60 million in federal funds that is currently supporting physician services.

Hospital-based physicians provide care to everyone in need, regardless of insurance status or ability to pay. In fact, MaineHealth loses over \$500 million annually on our physician services. To put this into context, that is 10.5 times our income from operations in FY '24. This budget proposal suggests that the State does not receive benefit for hospital-based payments. In fact, those payments ensure that patients on MaineCare, patients in rural communities, and patients who lack insurance, have access to needed care. There are few, if any, private practices remaining that take all patients, regardless of ability to pay.

Maine is fortunate to have a system of hospital-based providers and FQHCs that serve our vulnerable populations. Those providers are paid differently to meet their missions of meeting the needs of their communities. In turn, those communities can access needed care to stay healthy and support their rural economies. This cut will jeopardize that access, and it will do so with few savings to the State and most of the savings accruing to the federal government. Should the State truly wish to level the provider reimbursement playing field while maintaining quality and access to care, they would do so by raising the payments for providers that are not hospital-based, rather than cutting those who provide access to our most vulnerable.

Lab Services and Hospice Care

Other proposed cuts in the budget that raise significant concerns include cuts to hospice care and laboratory services. As part of its mission and commitment to serving our communities, MaineHealth provides these services at a loss. The proposed cut to laboratory services would result in a \$360,000 reduction in payments. And our home health provide critically important hospice services as part of their missions. Last year, our home health agencies provided 14,377 visits to 1,516 MaineCare patients – and ended the year with operating losses of more than \$12 million.

Like physician services, home health and hospice are vital to the health and well-being of our communities. They also support a continuum of services that allow people to remain in less restrictive and less expensive settings. As shown in the attached graph, we have seen mass closures of long-term care beds over the last few years, to the point where we have nearly 100 patients every day within the MaineHealth system who are cleared for discharge, but for whom no safe discharge options are available. The proposed cuts will add additional burden to agencies that are already in financial distress and thus force difficult decisions about maintaining access and jobs, particularly in rural communities.

Decisions that are already playing out across our State as health care organizations are forced to ration care because of reductions in payment and a severe shortage of healthcare workers. Now is not the time to reduce needed resources that will result in acceleration of service reductions or outright closures of community providers.

Finally, it is important to note that last year, MaineHealth agreed to the language that implements the revised hospital tax and is included in the proposed budget. However, it's also noteworthy that the tax was intended to provide additional financial support for all prospective payment hospitals. When the Department implemented the new tax, it also implemented an administrative change to the methodology that is used to support exceptionally high-cost claims – primarily claims involving trauma and NICU babies – that has severely impacted MaineHealth. As a result, the additional financial support of \$20 million or more, that we planned for has not been realized, with the net impact of the tax and the change in outlier methodology resulting in additional support of just \$3 million per year. I provide this information purely as context related to administrative actions that have already negatively impacted us during these difficult times.

As you undoubtedly heard earlier this week, the Mass General Hospital System announced hundreds of layoffs as it attempts to address its financial challenges. And Maine providers have experienced their own reductions recently, as well. As hospital systems work to weather these very difficult times, we urge the Legislature to consider the impacts that these proposed cuts will have on access to care for our most vulnerable patients and communities.

Thank you, and I would be happy to answer any questions.

Mainers at Risk for Needing Long Term Care vs. Long Term Care Beds Available

