



Maine Hospital Association

MAINE'S LEADING
VOICE FOR HEALTHCARE

TESTIMONY OF THE MAINE HOSPITAL ASSOCIATION

Proposed SFY 2026-2027 Supplemental Budget

February 17, 2026

Senators Rotundo and Ingwersen, Representatives Gattine and Meyer, and members of the Appropriations and Health & Human Services Committees, my name is Jeffrey Austin and I am here on behalf of the Maine Hospital Association.

I am here today to express our opposition to a portion of the supplemental budget.

Hospital Tax Increase (Page A-57) - \$24 Million per year.

Maine hospitals currently pay an income tax to the State of Maine. The amount of that tax is roughly \$177 million this year. Hospitals are one of the biggest taxpayers to State Government.

The budget proposes to increase the hospital tax by \$24 million, which would bring the annual total hospital tax to **over \$200 million per year.**

Re-basing the hospital tax is not unusual. We generally do not support a re-basing, but we understand that it happens from time to time.

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|------------------------------------|---|--------------|--------------|
| Initiative: | Adjusts funding in the Medical Care - Payments to Providers program between the General Fund and Other Special Revenue Funds related to rebasing the hospital tax year from fiscal year 2021-22 to fiscal year 2023-24. | | |
| GENERAL FUND | | | |
| All Other | | (10,995,835) | (23,905,898) |
| | Total | (10,995,835) | (23,905,898) |
| OTHER SPECIAL REVENUE FUNDS | | | |
| All Other | | 10,995,835 | 23,905,898 |
| | Total | 10,995,835 | 23,905,898 |

However, what the Administration is proposing is not a normal re-basing. The way this supplemental budget re-bases the hospital tax is inconsistent with the decades-long policy in Maine. The policy Maine has followed for decades is that at the time of a re-base, hospital reimbursement is increased to help offset the impact of the tax increase. The Administration proposes no such increase this year.

For context, hospitals barely eked-out an operating margin of \$21 million *combined* in SFY 2024. A tax increase with no match would wipe out the aggregate margin of all the hospitals in Maine.

Our Requests

1. Reject the Immediate Tax Increase in SFY 26.

The budget proposes to re-base the tax immediately and to collect a \$10M tax payment from hospitals in 90 days. This is completely unreasonable. Our members did not budget for this tax, we were not given any indication that a re-base was coming.

This proposal strikes us as similar to the Administration's proposal last year to take-back a COLA in the middle of the State Fiscal Year that providers had built into their budgets.

It is simply far too late in the year to hit us with an unexpected tax increase of \$10 Million.

2. Provide Hospitals with a Corresponding Match Increase for the Tax Increase in SFY 27.

As explained, this is what the State has always done. It must be done in SFY 2027. We are open to working with the State on how to accomplish this match (more below). However, the tax increase should be conditioned on receiving CMS approval for the reimbursement increase.

3. Reverse the Cut to Hospital Doctors Adopted Last Year.

We are still strongly opposed to the cut the State adopted last year that cuts the reimbursement rate for hospital-employed physicians. We've asked DHHS for the opportunity to discuss physician rate reform and we've been re-buffed. We can't even get a conversation. You should ask DHHS to talk to us.

4. Lift the Days Awaiting Placement Cap

Patients stuck in hospitals frequently result in no ability for the hospital to seek reimbursement. You changed that when you created a "days awaiting placement" payment. The payment does not cover the hospital's cost for caring for the patient; but it is an appreciated payment. The state has a \$1.5M cap on payments; we've already hit that cap with more than 4 months to go in the State's fiscal year.

Conclusion. We appreciate that the state faces challenges with the Medicaid budget. Hospitals are also facing significant challenges. Hospital margins are thin, federal OBBA cuts are impending and our input costs continue to climb. Our members are making very hard decisions like service closures, hospital closures, complete hospital re-organizations, giving up independence and more. The state needs to fund its obligations, not ask hospitals to do it for them. We look forward to working with you on the budget.