



**Testimony of Sarah Calder, MaineHealth
In Support of Some Initiatives and
In Opposition to Proposed Cuts to Hospitals in the Governor's Proposed
Biennial Budget
February 17, 2026**

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 Sarah Calder, Senior Government Affairs Director at MaineHealth, and am here to testify in support of key initiatives within the proposed Supplemental Budget and in strong opposition to a proposed tax on Maine's fragile prospective payment hospitals.

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.

Support for Funding Provider Services

This proposed budget includes funds to pay providers for the increased utilization being experienced across the health care system. We appreciate the Department's commitment to paying its bills and recognize that the growing demand for health care services places a strain on budgets. MaineHealth is working to stabilize the cost of healthcare, including identifying and investing in opportunities to provide services more cost effectively and other preventive strategies. In fact, the nonprofit thinktank, the Lown Institute, ranked 322 health systems across the country on a series of measures. MaineHealth ranked 5th nationally for the value of care we provide, and 4th for our social responsibility. Our ability to provide this level of efficiency depends on timely and accurate reimbursement from all of our payers for the care delivered to patients, and it's important to recognize the improvements the Department has made in this regard.

We further wish to support the inclusion of the supplemental payments to private psychiatric hospitals and the temporary rate increase to the physician fee schedule, both of which reflect services within MaineHealth that end each year in the red.

Hospital Tax Rebasing Proposal

The budget proposal seeks to rebase the hospital tax from FY 2021-22 to FY 2023-24, which represents a substantial cost to MaineHealth. This tax is financially burdensome, and its structure represents a dangerous shift from past hospital tax and match initiatives.

First, it is proposed to begin in this fiscal year – and thus not built into our system’s budget. Secondly, past tax increases have been offset by corresponding increases in payments, or a “match.” This budget fails to provide any offset to the impact of the tax, thus serving solely as a significant expense to our fragile PPS hospitals. Of note, of MaineHealth’s five historical PPS hospital sites, only one had a positive average operating margin over the last eight years. Maine’s PPS hospitals – many of which are already losing money - can ill-afford to pay additional taxes at a time when they are struggling to maintain access to care for our communities.

Hospital-Based Physician Services

The biennial budget includes language that would implement a significant cut to physician services at Maine hospitals beginning on July 1, 2027. As finally passed, the cut would cost MaineHealth \$25 million over 5 years, and on physician services that already lose approximately \$500 million annually. As a mission-driven organization, MaineHealth’s providers serve all patients, including those on MaineCare. There are few independent practices in Maine, and they are forced to carefully manage their payer mix. This means that many limit the number of MaineCare patients on their panels, and most do not take uninsured patients at all.

The Department that is responsible for the MaineCare population should support access to needed primary care, behavioral health and other physician services. This provision will only jeopardize access to care for rural Mainers and vulnerable populations. We strongly urge you to repeal this provision, as it will not have any impact on the budget’s bottom line.

Conclusion

Maine’s hospital systems are hanging by a thread. We appreciate efforts the Department has made to improve the timeliness of Medicaid payments. Yet in spite of this tacit acknowledgement that the State plays an important role in supporting the financial health of its provider systems, the Department continues to promote policy initiatives that would harm those same systems, including the substantial increased tax without a corresponding match that is included in this budget proposal. In our current financial position, additional unanticipated costs will inevitably translate into reduced access to care.

Thank you for the opportunity to testify, and I would be happy to answer questions.

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