



**2024 Annual Public Hearing of the Office of Affordable Health Care
Northern Light Health Comment
October 4, 2024**

Northern Light Health appreciates the opportunity to provide comment regarding the status of health affordability care in Maine. Our comments focus on the ongoing statewide challenges hospitals experience as we work to stabilize our finances during the post COVID-19 period.

Northern Light Health member hospitals provide care to one out of every four Mainer's discharged statewide. Every day we focus on our mission to improve the health of the people and communities we serve. We kept our promises to Maine communities as we invested in care provided at Northern Light – Mercy Hospital, CA Dean Hospital, Blue Hill Hospital and Maine Coast Hospital. Responding to the critical need for behavioral health services, Northern Light Acadia Hospital completed a significant renovation of the hospital expanding access to adult and children's services. Northern Light Eastern Maine Medical Center has addressed access challenges improving regional access to cardiology, orthopedic and oncology services. We are unwavering in our commitment to serve the people of Maine.

And we are challenged. For fiscal year 2022 our recurring operating income was a negative \$114 million dollars. Recurring Operating Income is the result of our current period operations without federal relief dollars much of which was for prior period costs. For fiscal year 2023 our recurring operating income continued to be negative at \$83 million dollars. We anticipate a significant loss on a recurring basis again for FY 2024. We are not alone in our financial challenge, the majority of hospitals in Maine are experiencing financial losses.

Insurance coverage for our patients is disproportionately resourced by governmental payments (Medicare and Medicaid) and our patients are generally elderly with significant chronic disease burden.

In April of this year the American Hospital Association published a research brief titled – Assessing the Impact of COVID-19 on Rural Hospitals. [Assessing-the-Impact-of-COVID-19-on-Rural-Hospitals-report.pdf](https://www.aha.org/sites/default/files/2023-04/Assessing-the-Impact-of-COVID-19-on-Rural-Hospitals-report.pdf) ([aha.org](https://www.aha.org))

The brief documents that almost half of rural hospitals experienced negative margins from patient care both before the pandemic, in 2020, and in each year after. Moreover, total margins in 2022, the most recent year of data available, have declined. The hospitals that struggled financially during the study period had higher volumes of Medicare and Medicaid patients. When comparing the payer mix data in the brief to the

Northern Light Health
Government Relations
43 Whiting Hill Road
Brewer, Maine 04412

Office 207.861.3282
Fax 207.861.3044

Northern Light Health

Acadia Hospital
A.R. Gould Hospital
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 Pharmacy
Sebasticook Valley Hospital

payer mix of hospitals in Maine, Maine’s governmental payer mix is actually HIGHER than the most financially challenged rural hospitals in the country. This is a startling data point that warrants focus and solution oriented engagement from every level of Government.

	Medicare	Medicaid	Total Public Payers
Hospitals Nationwide that Make Money	40%	9%	49%
Hospitals Nationwide that Lose Money	51%	9%	61%
Hospitals in Maine	49%	18%	67%

Neither Medicare nor Medicaid cover the cost of providing care. For FY 2023 the unpaid cost of these payers for Northern Light Health totaled over \$309 million dollars. Each year thousands of Mainers are aging out of the commercially insured market and transitioning to Medicare or Medicare Advantage coverage. This shift exacerbates hospital financial challenges and creates the market dynamic that results in commercial insurances paying more to cover the governmental losses. The cost shift impact is real impacting businesses and individuals covered in the commercial market. There is not ongoing tolerance to absorb this shift.

Data presented by the Office of Affordable HealthCare at the public hearing documents that 53% of Maine population is covered by commercial insurance. While we don’t dispute this coverage number we ask that the Office emphasize that government payers (Medicare and Medicaid) are by far the most the significant revenue sources for health systems as these patients utilize services at a much higher rate. For Northern Light, governmental payors account for over 65% of our gross revenues in our current fiscal year. The price commercial payers pay is driven by the need to compensate for the inadequate pricing policy of Medicare and MaineCare and to ensure health systems can sustain the access points and the variety of healthcare services our communities require.

COVID-19 permanently impacted the cost structure of health care services. The cost of labor, pharmaceuticals, medical supplies and capital are all higher than pre-COVID-19 costs. We continue to be reliant on temporary labor to meet the care demands of our patients – NLH budgeted \$170 million for the current fiscal year, the estimated cost will be over \$182 million. Medicare payment increases have failed to adjust for the new cost reality. The increase in MaineCare payments to hospitals is important but still falls short of covering the cost of care.

It is also critically important that policy leaders and payers understand the impact of the broken continuum of care in Maine that leaves elderly patients in need of a nursing facility bed “living in our hospitals” and children in need of community based behavioral health services “living in our emergency departments’. Our caregivers are exemplary in their dedication to all of our patients but patients, families and our services suffer negative impact when system failures result in patients waiting for weeks and months trying to access the right level of care to meet their needs. The hospital providers in the

state provide the safety net for these failures in other parts of the continuum, but this is not good for patients or for the sustainability of hospital economics.

Healthcare in Maine is at a crossroad of change, governmental payer dependence will not sustain the variety and access points of services throughout the State. Northern Light Health is undertaking a systemwide analysis of services to balance the cost of care within the revenues we are paid to provide care. The access points of care that we have today in Maine will look different in the future to achieve affordability in the provision of services and the consumer cost of care. The government has a role to play and should partner with our organization and hospitals throughout the State to work collaboratively to stabilize not for profit services, access points and the financial resources necessary to provide health care for the people of Maine.