Office of Affordable Health Care

2023 Public Hearing Comment Solicitation – **Payers and Providers**

Comments Provided by Northern Light Health

September 27, 2023

Director Garrett Reed and members of the Office of Affordable Health Care Advisory Council, my name is Lisa Harvey-McPherson RN, and I am here today providing comment on behalf of Northern Light Heath. Northern Light Health

member organizations include 10 hospitals located in southern, central, eastern and northern Maine, 8 nursing facilities, air and ground ambulance, behavioral health, addiction treatment, pharmacy, primary and specialty care practices and a state-wide home care and hospice program. Ninety three percent of Maine’s population lives in the Northern Light Health service area. Our purpose and mission is to improve the health of the people and communities we serve.

Northern Light Health is proud of our service caring for the people of Maine and approached the pandemic challenge with a culture of “yes.” The success of our response to the COVID-19 pandemic is a source of pride for all Northern Light Health employees. But we are also challenged in ways that are historic for our health system. This is not unique to us as hospitals and healthcare providers throughout Maine and the nation face the same challenges. Health care cost and affordability must be evaluated in context of the unprecedented impact that the COVID-19 pandemic has had on health care. I will begin with and overview of the significant financial challenges impacting Northern Light Health, hospitals in Maine and hospitals nationally.

Kaufman Hall is a national financial consulting company that publishes reports on the financial challenges hospitals have had and continue to experience due to the COVID-19 pandemic. They reported that hospitals lost billions of dollars in 2022 when expenses increased at an unprecedented pace including cost of labor, medical supplies and pharmaceuticals. The escalation in cost is now a permanent baseline in expenses. Kaufman Hall estimates that expenses are projected to remain approximately 20-25% above pre-pandemic levels.

For Northern Light Health the financial losses are historic, we experienced a loss of $132 million dollars in fiscal year 2022. Operating expenses increased by $168 million dollars in fiscal year 2022 over the previous fiscal year. During this one year period the system wide cost for nursing increased by 72.3 million dollars. Given Maine’s nursing workforce shortage of 2250 RN’s the hospital costs for nursing care have permanently reset at a much higher rate than the pre-COVID period.

As a health system we are working closely with our clinical and operational leaders statewide to implement a recovery plan that restores a solid financial foundation for the future. But we are not there yet, our operational losses continue to be in the millions of dollars.

We believe that it will take multiple years to for hospitals/health systems and providers of care to stabilize into a new normal which will look different from the pre-pandemic period. Health care organizations will rebalance cost structures to align with inadequate revenues, some services will be discontinued and there will be increased regionalization of specialty services. The role of technology will expand even more to provide access to care and workforce challenges will threaten the long term viability of community based care, acute hospital and post-acute services.

Caring for people in our communities irrespective of payer source also results in a much higher volume of Medicare and MaineCare patients than independent practices that do not have the same community service mission. This results in significant government underpayment for our services, In fiscal year 2022 we experienced the following unpaid cost of public programs: Medicare $208,557,110 and Medicaid $112,656,916. With a permanent reset the cost of labor, supplies and pharmaceuticals it is critically important that state policy leaders rebase payments to align with the post covid cost environment.

US census data released earlier this year shows that Maine continues to have the highest median age in the nation. Older adults (age 65+) represent 22% of Maine’s population, the highest share of older residents in any state. The top three leading causes of death among Maine adults 65+ are cancer, heart disease,

and chronic lower respiratory disease. When asked to score their health status 1 in 5 Mainers over the age of 65 say their heath is fair to poor. A greater proportion of older adults live in rural counties served by Northern Light Health hospitals and providers. Older patients in our care present with a high chronic disease burden, require more health care services than younger populations and many live in very rural economically challenged communities. These are the health care cost characteristics unique to Maine and the people we care for.

Northern Light Health is actively participating in several reimbursement models – both governmental and commercial – that focus on improving quality, experience and affordability. We are voluntarily participating in these models to strengthen our proficiencies on delivering value to the communities we serve. Specific initiatives include:

* Screening for social determinants of health and engagement with community partners to address the SDOH needs
* Emphasis on preventative care – primary care, annual care visits, well child visits and health screenings
* Clinical care pathways to reduce clinical variation across sites of care
* Strong focus on patient outcomes
* Supporting transitions of care to community based providers
* Right sizing modernization projects and services to fit the unique needs of our communities and statewide populations

Northern Light Health is proud of our status as one of the original Pioneer Accountable Care Organizations (ACOs) participating with the Centers for Medicare and Medicaid Innovation (CMMI) demonstration project to lower the overall cost of care and improve quality. The ACO program has undergone a number of transformations and today we participate with the Medicare Shared Savings Program ACO. Our work to transform care to focus on the total cost of care and population health is producing positive benefit for our patients and the Medicare program. Despite the significant impact that the pandemic had during the three year period 2020-2021-2022 we generated total savings of $9.8 million dollars.

Despite the great work of Northern Light Health clinicians the continuum of health care services in Maine is broken and in desperate need of state policy solutions to restore access to services. On any given day 64 patients in need of nursing facility care are living in a Northern Light Health acute care bed waiting for discharge to the care they need. Hospital stays are often extended by hundreds of days due to the lack of nursing home beds. Home care providers have reduced or eliminated service in rural regions to rebalance cost structures to align with revenue shortfalls. Children in need of behavioral health services are living in our emergency departments for extended periods waiting to access community based residential services. These children live in our emergency departments for weeks and months. These are expenses that should be reflected as long term care or assisted living or residential care costs, instead they are presented as hospital costs because these community based providers are not accepting our patients into care. Hospitals are the most expense real estate in our delivery system, eliminating the cost impact of patients stuck in the wrong level of care must be a priority for state health policy leaders.

As you launch your work to focus on healthcare affordability in Maine we ask that you provide equal attention to the challenge of ensuring access to health care services and the unique role that hospitals have in caring for patients in communities throughout the State of Maine.