

Testimony in Opposition to LD 45: An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Year Ending June 30, 2009

Senators Diamond and Brannigan, Representatives Cain and Perry and members of the Appropriations and Health & Human Services Committees, my name is Dave Shannon and I am the CEO of Penobscot Valley Hospital in Lincoln. The focus of my testimony today is in opposition to the cut in reimbursement to Critical Access Hospitals. Although others will address the cut to hospital-based physicians I wish to be on record in opposition to that cut as well.

Penobscot Valley Hospital is a nonprofit 25 bed Critical Access Hospital located 50 miles north of Bangor. In addition to meeting the Emergency Care needs of our community (staffed by physicians 24/7) and being the sole provider of ambulance services to an area the size of Rhode Island, our hospital offers advanced surgical procedures, ear, nose and throat care (in partnership with Mayo Regional and Millinocket Hospitals), the latest in laboratory services, diagnostic imaging services, rehab services, diabetes and nutrition education, and much more. We offer these services in a region that is often isolated because of geographic challenges and seasonal weather problems. It is imperative for the health of our communities that PVH is given the tools and resources to continue thriving.

As a small rural hospital providing high quality care for the communities we serve, our finances have been and will always be challenging. But we continually strive to advance our nonprofit mission and ensure that needed services are available regardless of an individual's ability to pay. As the saying goes...no margin no mission. But in today's economic climate, our financial challenges are only increasing. Our hospital is not immune from the same economic struggles that plague our state and our nation. For example, over the last year our uncompensated care has increased 8% to just under \$2 million and our MaineCare patients have grown 5% to just fewer than 23 % of our business. We are deeply concerned about how we will confront these existing challenges and continue to preserve access to healthcare services for the residents in the Lincoln Lake Region.

I sympathize with you and the very difficult decisions you face in your efforts to address the shortfall in the state budget. But the budget proposal before you will have dire consequences for my hospital and many of our state's Critical Access Hospitals and our efforts to remain the safety net providers of healthcare services for the people of Maine.

I'm sure that taken in isolation, reducing our reimbursement from 117% to 101% would make perfect sense if you never talked about the Medicaid provider tax on hospitals and the Medicaid match. But the fact of the matter is that the additional 16% reimbursement for Critical Access Hospitals was passed by the Legislature to help offset the losses sustained by the state's smallest hospitals under the hospital tax which was passed by the Legislature in 2004 to resolve budget shortfalls. How can this Legislature possibly consider eliminating this reimbursement and keeping the tax in place? Never mind the fact that the hospital tax was increased just this past legislative session to offset the cut in last year's budget to hospital-based physicians.

My hospital is still owed approximately \$2.3 million in past MaineCare settlement payments dating back to 2005. Carrying these substantial and ever-increasing accounts receivables owed to us by MaineCare already creates a significant financial hardship on our hospital. At PVH, our Emergency Department is in serious need of upgrades. We are not making the best use of our space, and there are a number of renovations we could do to ensure better patient privacy, more treatment rooms, and more efficient work by our staff. Additionally, our Radiology Medical Director has been pushing us to upgrade our CT scanner, Mammography Unit and to the connectivity to our PACs system that we share with EMMC. These are important upgrades that PVH must do soon; however, any additional changes in the reimbursement process would likely make it impossible for us to move forward with the Emergency Department or any of the other improvements and upgrades.

This 16% cut to my small hospital amounts to a \$700,000 cut annually. The federal government created the Critical Access Hospital program specifically in recognition of the valuable role small hospitals like mine play in rural areas. Our hospital is already struggling to maintain our existing programs and services. Losing an additional \$700,000 a year could have a drastic effect on how we do business. We are already subsidizing the Ambulance Service, Emergency Department Physicians and the Inpatient Hospitalist. Additionally, we are the second largest employer in the Lincoln Lakes Region and this change could lead to the elimination of positions or cutting certain services that our local communities depend on us to deliver.

I understand that you have a job to do, as do I. People depend on you to make the right decisions for our state. People depend on me to ensure that they will continue to get cost effective, quality care and the programs they need to stay healthy. We simply cannot continue to provide more and more healthcare services at a loss, wait years to be paid by MaineCare for services we have provided, pay a tax to the state in order to help fund the MaineCare program, care for a growing number of free care patients, respond to the increasing regulatory demands, and endure a cut of this magnitude without there being irreparable harm to the healthcare infrastructure of this state and most especially to the communities my hospital serves.

I simply ask that you consider this cut from the perspective of not only a legislator but a young family living in rural Maine or the elderly couple who is unable to drive long distances. What if you suddenly had to drive two hours for dialysis or if the nearest emergency room was more than 2 hours away. These changes have lasting effects, not only in the healthcare realm but in EVERY industry. When people aren't healthy, they can't work, they can't contribute to the economy, and then everyone is affected. Our communities need Penobscot Valley Hospital to stay healthy, and unless we can stop putting up obstacles to our financial stability, these Mainers may lose the services that are keeping them in the workforce, taking care of their children, or even just functioning in a healthy way in their own homes.

Today, I ask you to stand with me, my colleagues, and the residents who use our services, in opposition to these cuts to the reimbursement to Critical Access Hospitals. I appreciate the opportunity to provide my comments to you today, and I would be happy to respond to any questions you may have.