

MEMORANDUM

To: The Honorable G. William Diamond, Senate Chair
The Honorable Emily Ann Cain, House Chair
Members, Joint Standing Committee on Appropriations &
Financial Affairs

The Honorable Joseph C. Brannigan, Senate Chair
The Honorable Anne C. Perry, House Chair
Members, Joint Standing Committee on Health & Human Services

From: Andrew B. MacLean, Deputy Executive Vice President

Date: January 5, 2009

**RE: L.D. 45, THE GOVERNOR'S SFY 2008 – 2009
SUPPLEMENTAL BUDGET**

Good afternoon, Senators Diamond and Brannigan, Representatives Cain and Perry, and Members of both the AFA and HHS Committees. I present this memo and its attachments on behalf of the Maine Medical Association, a professional organization of more than 3000 physicians, residents, and medical students in Maine. The MMA appreciates the difficult choices you face in balancing our state's finances in this supplemental budget and later in the biennial budget. Our members are concerned about all of the proposed reductions in health care and social services you will consider in the Governor's budget documents and the impact of these reductions on Maine citizens. We know that you will do your best to minimize the impact of these budget decisions on the most vulnerable among us.

However, I am here today in particular to highlight our concern and opposition to the proposed cut of \$3.5 million in state General Fund for reimbursement of hospital-based physicians in SFY 2009 on page 101 of the budget bill. I am disappointed to be before you not even a year after such a proposal was considered and rejected by the 123rd Legislature. I have attached for your reference, the testimony of Kevin Flanigan, M.D. objecting to a similar proposal on February 8, 2008. Dr. Flanigan is a pediatrician and internist in Pittsfield, is a Past President of the MMA, and was a member of the 123rd Legislature's *Commission to Study Primary Care Medical Practice*. Dr. Flanigan's testimony on this issue is as relevant, if not more so, today as it was in February 2008.

Reducing reimbursement to physicians at Maine hospitals that receive enhanced reimbursement through a legitimate federal program called "provider-based reimbursement" will damage the primary care safety net

provided by such hospitals in many parts of Maine, particularly the rural areas and will present further challenges to physician recruitment and retention – already very difficult – as Maine tries to compete in a national market for physicians in all medical specialties.

In your deliberations on this item, I ask you to consider the following points:

- The physician recruitment and retention situation in Maine is worse than it was a year ago. The Maine Recruitment Center now needs to fill 250 physician positions with 100 in primary care. Once committed to private practice, Dr. Flanigan's practice now is part of a federally-qualified health center.
- The State continues to struggle to meet its obligations to Maine hospitals. The 123rd Legislature avoided a similar cut in the 2008 supplemental budgets (L.D. 2173/L.D. 2289) by re-basing the hospital tax (L.D. 2290). This legislature should not change this one part of a "two-part deal."
- The *Commission to Study Primary Care Medical Practice* spent months analyzing the technical aspects of the financing of physician services in our health care system and rejected such reductions in physician reimbursement.
- Those hospitals with "provider-based" practices do incur additional costs because of the obligations of the program, especially in clinical integration and quality improvement, thereby justifying the enhanced reimbursement. I have attached a copy of 42 C.F.R. §413.65, *Requirements for a determination that a facility or an organization has provider-based status* to give you a sense of these additional obligations.
- As a result of previous legislative debates about this issue, hospital-based practices in Maine now accept all MaineCare patients who come to them.

Thank you for considering the MMA's views on this matter and I would be happy to respond to any questions you may have.

TESTIMONY OF THE MAINE MEDICAL ASSOCIATION
IN OPPOSITION TO
REDUCED FUNDING FOR HOSPITAL-BASED PHYSICIANS
IN
L.D. 2173, THE GOVERNOR'S SFY 2008 – 2009 SUPPLEMENTAL
BUDGET

Joint Standing Committee on Appropriations & Financial Affairs
Joint Standing Committee on Health & Human Services
Room 228, State House
Friday, February 8, 2008, 9:00 a.m.

Good morning Senators Rotundo and Brannigan, Representatives Fischer and Perry, and Members of the Appropriations and HHS Committees. I am Kevin Flanigan and I am here today as the Immediate Past President of the MMA to speak in opposition to the proposed cut of approximately \$20 million in state and federal dollars for reimbursement of hospital-based physicians in the second year of the biennium on page 103, line 16 of the printed bill. Also, I must express concern about the proposed savings of more than a million state and federal dollars by applying \$10 co-payments to hospital and physician visits for the “non-categorical” MaineCare population found at page 102, line 1 of the bill.

Please understand that I recognize the significant challenge facing you as you try to balance the state budget in a very difficult economic climate. I also understand that health care and social services are categories of substantial state spending that always are targets when cuts are necessary. While I cannot offer concrete alternatives to these proposals, I do urge you as members of this committee to find alternatives. I fear that carrying out these cuts will send the wrong message to physicians currently practicing in Maine and to those who might consider practicing here. Ultimately, these cuts will reduce access to health care services for all patients - - those covered by government programs, by private insurance, and the uninsured.

I am a Board Certified Pediatrician specializing in the care of infants, toddlers, children, and adolescents. I also am a Board Certified Internist specializing in the care of adult patients. As a physician in private practice, I would not be affected directly

by the \$20 million proposal. However, as a leader in organized medicine and a member of the *Commission to Study Primary Care Medical Practice*, I speak for physicians in all practice models and I recognize the need to ensure a continued choice of practice models for physicians in Maine. The *Commission* recently has delivered its report to the legislature and in it the members stated strongly that addressing the woefully inadequate reimbursement under the MaineCare fee schedule for individual practitioners should *not* come at the expense of practice models that reimburse at a higher rate such as “provider-based” practices and federally-qualified health centers (FQHCs).

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As a “Med/Peds” physician in Pittsfield, Maine, I deliver primary care to the patients of all ages in central Maine. While I am not the only physician in the area, I am the only pediatrician between Waterville and Bangor. My practice also is the only private practice left in the area. When I moved to Pittsfield I was one of four private practices in an area that was also served by two Rural Health Clinics. Now, ten years later the local hospital runs three primary care practices and one general surgery practice. A second hospital has taken over one of the original satellite office sites. A Federally-Qualified Health Center has opened in the area. Only one of the original Rural Health Clinics remains independently run.

This shift from a majority of fee-schedule-based reimbursement practice business models to one of cost-based reimbursement practice business models has served the community in important ways. It has preserved access by stabilizing the physician workforce. Before hospitals stepped in, my community and the state of Maine as a whole were losing physicians at an alarming rate. We must recognize that there are a variety of reasons why Maine struggles to compete in a national market for physician services. As you have probably heard, the Maine Recruitment Center now is trying to fill more than 200 physician positions statewide in all specialties on any given day.

Because of the changing demographic aspects of the physician population, it is critical to preventing further erosion of the physician workforce in Maine that we preserve a range of practice model options. None of these practice models can be successful if the payment rate offered by any payer is below the cost of providing the medical services. The government programs' reimbursement rates that do not cover the cost of care *do* have a negative impact on access to medical services.

The second proposal to require co-payments from the “non-categorical” beneficiaries would be simply another cost shift to health care providers who would, for the most part, be unable to collect

the co-payments. Not only would this have a negative financial impact on providers, it would increase their administrative burden as well.

Each of these proposals seems to me and the rest of the physician community to be very short sighted. The loss of substantial federal matching money and the cost increases for the system as patients who lose access to physician practices seek more care in our emergency rooms need not, and should not, be an inevitable consequence of our state budget crisis. Please focus on preserving access to a medical home for the patients of Maine. Please do not exacerbate an already tenuous statewide physician network by undercutting its financing.

Finally, to give you a sense of the challenges faced by physicians in private practice and the important role that “provider-based” practices play in maintaining access to medical services, particularly primary care services, I have attached two documents:

- an article entitled, *Local MaineCare rejection epitomizes bigger ills* by Lynda Clancy from the October 18, 2007 issue of Village Soup; and
- an op-ed entitled, *Medicaid Cut Bad Medicine for Maine* by MMA President William Strassberg, M.D., an orthopedic surgeon at MDI Hospital in Bar Harbor, from the February 7, 2008 issue of the Bangor Daily News.

Thank you for your consideration of my remarks and I would be happy to answer any questions you may have.