

MAINE STATE LEGISLATURE

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114th MAINE LEGISLATURE

FIRST REGULAR SESSION - 1989

Legislative Document

No. 276

H.P. 196

House of Representatives, February 21, 1989

Reference to the Committee on Human Resources suggested and ordered printed.

Ed Pert

EDWIN H. PERT, Clerk

Presented by Representative ROLDE of York.

Cosponsored by Senator ESTES of York, Representative McPHERSON of Eliot and Representative FARNUM of South Berwick.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND EIGHTY-NINE

An Act to Establish a Demonstration Project at the York Hospital.

(EMERGENCY)



1 **Emergency preamble.** Whereas, Acts of the Legislature do not
2 become effective until 90 days after adjournment unless enacted
3 as emergencies; and

5 Whereas, the York Hospital occupies a unique niche in the
6 Maine health care system, being the closest Maine hospital to the
7 New Hampshire border and in competition with 3 hospitals across
8 the border, including a for-profit hospital; and

9 Whereas, the Maine Health Care Finance Commission has not
11 appropriately recognized the York Hospital's special problems due
12 to its geographic location, which includes being in the labor
13 market with the lowest unemployment rate in the United States; and

15 Whereas, the commission has not responded to the hospital's
16 request for a demonstration project to operate with an
17 experimental reimbursement model that would require York
18 Hospital's Board of Trustees to set a prospective revenue limit
19 based on local market conditions; and

21 Whereas, the Legislature therefore finds that such facts
22 constitute an emergency, particularly in light of the enormous
23 financial losses suffered by the York Hospital while under
24 control by the commission, which jeopardize its continued
25 existence; and

27 Whereas, in the judgment of the Legislature, these facts
28 create an emergency within the meaning of the Constitution of
29 Maine and require the following legislation as immediately
30 necessary for the preservation of the public peace, health and
31 safety; now, therefore,

33 **Be it enacted by the People of the State of Maine as follows:**

35 **Sec. 1. 22 MRSA §396-0**, as enacted by PL 1983, c. 579, §10,
36 is repealed.

37 **Sec. 2. 22 MRSA §396-R** is enacted to read:

39 **§396-R. Experimental and demonstration projects**

41 **1. Projects generally.** The commission may, with the
42 written agreement of any directly affected hospital, 3rd-party
43 payor or purchaser, implement experimental or demonstration
44 projects designed to assess methods of establishing revenue
45 limits or payment methodologies other than those established
46 under this chapter. The commission shall consult with
47 appropriate advisory committees prior to initiating any
48 experimental or demonstration project and shall include the
49 results of any project as part of its annual report. These
50 experimental or demonstration projects may include, but need not
51 be limited to, the following:

- 1 A. Establishment of regional hospital corporations;
3 B. Payment on the basis of diagnostic related groups;
5 C. Payment on a capitation basis;
7 D. Preferred provider relationships; and
9 E. The efficacy of competition as a means of regulating
11 hospital spending.

12 2. Competition demonstration. The commission shall
13 implement, effective July 1, 1989, a competition demonstration
14 project sited at York Hospital. This project shall have a
15 duration of no less than 5 years and shall exempt York Hospital
16 from the system of revenue limits established under this
17 chapter. This exemption shall have as conditions that York
18 Hospital shall:

19 A. For each year of the project, assure that its total net
20 revenues attributable to that year, including other
21 operating revenues, are no greater than 102% of its actual
22 costs attributable to that year, provided that revenues and
23 expenses are those stated in its audited financial report
24 issued by an independent certified public accounting firm,
25 are determined in accordance with generally accepted
26 accounting principles and do not include any adjustment
27 which reflects a prior year;

28 B. Annually provide the commission with a reconciliation
29 filing in conformance with regulations or guidelines
30 established by the commission for those filings; and

31 C. With respect to the 3rd and 5th years of the project, no
32 later than 60 days after receipt by the commission of the
33 last reconciliation filing from a Maine hospital for that
34 year, submit to the commission a demonstration project
35 report which shall, using information available to the
36 commission, which may include audited financial statements,
37 acuity and other data from the independent data organization
38 with which the commission has entered into contract pursuant
39 to section 374, subsection 3 and other income and
40 demographic data from state or federal agencies, taking into
41 account the locally prevailing costs of labor and other
42 economic inputs in the York area.

43 Emergency clause. In view of the emergency cited in the
44 preamble, this Act shall take effect when approved.

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STATEMENT OF FACT

5 A variety of factors have made the Maine Health Care Finance
6 Commission's regulations, which are based on statewide averages,
7 inappropriate for York Hospital. These factors include local
8 housing and labor costs which are higher in York County than
9 state averages and strong competitive pressures exerted across
10 state lines from neighboring hospitals in New Hampshire which are
11 not subject to significant economic regulation. As a result,
12 York Hospital has been experiencing significant financial losses
13 under commission regulations. This bill would remedy this
14 problem by exempting York Hospital from the commission's system
15 of revenue limits for a period of 5 years. It would also take
16 advantage of this exemption as an opportunity for a demonstration
17 project to compare the effectiveness of competition across state
18 lines as a means of controlling hospital spending, with the
19 effectiveness of those regulatory controls which continue to
20 apply to Maine hospitals during the 5-year period. York Hospital
21 will be required to make certain reports which are necessary for
22 evaluating the results of the competition demonstration project.
23 Payors for health care will be protected by a ceiling on the
hospital's revenues of 102% of its audited costs.