

# MAINE STATE LEGISLATURE

The following document is provided by the  
**LAW AND LEGISLATIVE DIGITAL LIBRARY**  
at the Maine State Law and Legislative Reference Library  
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied  
(searchable text may contain some errors and/or omissions)



# 122nd MAINE LEGISLATURE

## FIRST SPECIAL SESSION-2005

---

Legislative Document

No. 1673

S.P. 620

In Senate, May 16, 2005

---

### An Act To Implement the Recommendations of the Commission to Study Maine's Community Hospitals

---

Reference to the Committee on Health and Human Services suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN  
Secretary of the Senate

Presented by Senator MAYO of Sagadahoc. (GOVERNOR'S BILL)  
Cosponsored by Representative PINGREE of North Haven.

2  
4  
6  
8  
10  
12  
14  
16  
18  
20  
22  
24  
26  
28  
30  
32  
34  
36  
38  
40  
42  
44  
46  
48  
50

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

Sec. 1. 22 MRSA c. 405-D, as amended, is further amended by repealing the chapter headnote and enacting the following in its place:

CHAPTER 405-D

HOSPITAL AND HEALTH CARE PROVIDER COOPERATION ACT

Sec. 2. 22 MRSA §1881, as enacted by PL 1991, c. 814, §1, is amended to read:

**§1881. Short title**

This chapter may be known and cited as the "Hospital and Health Care Provider Cooperation Act of 1992."

Sec. 3. 22 MRSA §1881-A is enacted to read:

**§1881-A. Legislative findings; intent; purpose**

**1. Findings.** The Legislature makes the following findings.

A. Health care costs in Maine have been increasing much more rapidly than the ability of its citizens to support these increases.

B. The escalating costs of Maine's health care system are unsustainable and threaten the well-being of the citizens of the State.

C. It is necessary and appropriate to encourage hospitals and other health care providers to cooperate and enter into agreements that will help facilitate cost containment, improve quality of care and increase access to health care services.

**2. Intent; purpose.** It is the intent of the Legislature to protect the public health and promote the public interest by encouraging hospitals and other health care providers to cooperate and enter into agreements that will help facilitate cost containment, improve quality of care and increase access to health care services. It is the intent of the Legislature that a cooperative agreement for which a certificate of public advantage has been issued will not violate any law governing impermissible restraint of trade and that issuance of such a certificate will provide state action immunity under the federal antitrust law.

Sec. 4. 22 MRSA §1882, as amended by PL 1995, c. 583, §§1 and 2, is further amended to read:

2       **§1882. Definitions**

4           As used in this chapter, unless the context otherwise  
indicates, the following terms have the following meanings.

6           **1. Cooperative agreement.** "Cooperative agreement" means an  
8 agreement among 2 or more hospitals or ~~nonprofit-mental~~ health  
10 care providers for the sharing, allocation or referral of  
12 patients, personnel, instructional programs, mental health  
14 services, support services and facilities or medical, diagnostic  
16 or laboratory facilities or procedures or other services  
traditionally offered by hospitals or ~~nonprofit--mental~~ other  
health care providers, or for the coordinated negotiation and  
contracting with payors, vendors or employers or for the merger  
of 2 or more hospitals or health care providers.

18           **1-A. Health care provider.** "Health care provider" means a  
20 physician and any other person that is certified, registered or  
licensed in the healing arts, including, but not limited to, a  
22 nurse, podiatrist, optometrist, chiropractor, physical therapist,  
dentist, psychologist, physician assistant and any corporation  
24 organized under the Maine Nonprofit Corporation Act or an  
organization recognized as exempt from federal income tax under  
26 26 United States Code, Section 501(c)(3) that is engaged  
primarily in the provision of mental health services.

28           **2. Hospital.** "Hospital" means:

30           A. Any acute care institution required to be licensed as a  
hospital under section 1811; or

32           B. Any nonprofit parent of a hospital, hospital subsidiary  
34 or hospital affiliate that provides medical or medically  
36 related diagnostic and laboratory services or engages in  
ancillary activities supporting those services.

38           **2-A. Merger.** "Merger" means a transaction by which  
ownership or control over substantially all of the stock, assets  
40 or activities of one or more licensed and operating hospitals  
hospital or health care provider is placed under the control of  
42 another licensed hospital or hospitals or health care provider or  
providers or the parent organization of that hospital or  
44 hospitals or health care provider or providers.

46           **3.---Nonprofit--mental--health--care---provider.---**"~~Nonprofit~~  
48 ~~mental-health-care-provider"~~ means ~~a corporation organized under~~  
~~the Maine Nonprofit Corporation Act or an organization recognized~~  
~~as exempt from federal income tax under 26 United States Code,~~

2 ~~Section 501(c)(3) that is engaged primarily in the provision of~~  
3 ~~mental health services.~~

4 4. Reviewing agencies. "Reviewing agencies" means the  
5 Attorney General, the department and the Governor's Office of  
6 Health Policy and Finance, or its successor, which have joint  
7 authority with respect to applications filed under this chapter.

8  
9 **Sec. 5. 22 MRSA §1883**, as amended by PL 1995, c. 583, §§3 to  
10 7, is further amended to read:

11 **§1883. Certification for cooperative agreements**

12  
13 **1. Authority.** A hospital or ~~nonprofit-mental~~ health care  
14 provider may negotiate and enter into cooperative agreements with  
15 other hospitals or ~~nonprofit-mental~~ health care providers in the  
16 State if the likely benefits resulting from the agreements  
17 outweigh any disadvantages attributable to a reduction in  
18 competition that may result from the agreements.

19  
20 **2. Application for certificate.** Parties to a cooperative  
21 agreement may apply ~~to the department~~ for a certificate of public  
22 advantage governing that cooperative agreement. The application  
23 must include an executed written copy of the cooperative  
24 agreement and describe the nature and scope of the cooperation in  
25 the agreement and any consideration passing to any party under  
26 the agreement. ~~A copy of the~~ The application and copies of all  
27 additional related materials must be submitted simultaneously to  
28 ~~the Attorney General and to the department at the same time~~  
29 reviewing agencies.

30  
31 **2-A. Letter of intent.** Parties to a hospital merger  
32 agreement who intend to file an application for a certificate of  
33 public advantage for the merger transaction shall file a letter  
34 of intent describing the proposed merger with ~~the department and~~  
35 ~~the Attorney General~~ the reviewing agencies at least 45 days  
36 prior to the filing of the application for a certificate of  
37 public advantage.

38  
39 **3. Procedure for review.** The following procedures apply to  
40 the review of the application ~~by the department.~~

41  
42 **A.** The department reviewing agencies shall ~~review and~~  
43 evaluate the application in accordance with the standards  
44 set forth in subsection 4.

45  
46 **B.** The department shall furnish copies of any letter of  
47 intent, application or decision to a person who requests  
48 copies and to a person who registers annually with the  
49 department for that purpose. A person may provide the  
50

2 department with written comments concerning the application  
3 within 30 days after the application is filed. The  
4 department shall provide the Attorney General and the  
5 Governor's Office of Health Policy and Finance, or its  
6 successor, with copies of all comments.

7  
8 C. The department--may reviewing agencies shall hold a  
9 public hearing in accordance with rules adopted by the  
10 department. The reviewing agencies, at any time after an  
11 application is filed under section 1883, subsection 2 or a  
12 letter of intent is filed under section 1883, subsection  
13 2-A, may require by subpoena the attendance and testimony of  
14 witnesses and the production of documents in Kennebec County  
15 or the county in which the applicants are located for the  
16 purpose of investigating whether the cooperative agreement  
17 satisfies the standards set forth in section 1883,  
18 subsection 4. All documents produced and testimony given in  
19 response to the subpoena are confidential. The Attorney  
20 General may seek an order from the Superior Court compelling  
21 compliance with a subpoena issued under this subsection.  
22 Intervention is governed by the provisions of Title 5,  
23 section 9054.

24 D. The parties to a cooperative agreement may withdraw  
25 their application and thereby terminate all proceedings  
26 under this chapter as ~~follows:~~ without the approval of the  
27 reviewing agencies any time prior to the issuance of a final  
28 decision under paragraph E.

29 (1) ~~Without the approval of the department, the~~  
30 ~~Attorney General or the Superior Court anytime prior to~~  
31 ~~the filing of an answer or responsive pleading in a~~  
32 ~~court action under section 1885, subsection 2 or prior~~  
33 ~~to entry of a consent decree under section 1885,~~  
34 ~~subsection 7, or~~

35 (2) ~~Without the approval of the department, anytime~~  
36 ~~prior to the issuance of a final decision under~~  
37 ~~paragraph E if a court action has not been filed under~~  
38 ~~section 1885, subsection 2.~~  
39

40  
41 E. The department reviewing agencies shall grant or deny  
42 finally the application no less than 40 days nor more than  
43 90 days after the filing of the application. Approval  
44 requires the concurrence of all 3 reviewing agencies. The  
45 department reviewing agencies shall issue a recommended  
46 decision at least 5 days prior to issuing a final decision  
47 ~~granting or denying the application.~~ The recommended and  
48 final decisions must be in writing and set forth the basis  
49 for the decision.  
50

2           **4. Standards for certification.** The department shall issue  
a certificate of public advantage for a cooperative agreement if  
4 ~~it--determines~~ the reviewing agencies determine that the  
applicants have demonstrated ~~by--clear--and--convincing--evidence~~  
6 that the likely benefits resulting from the agreement outweigh  
any disadvantages attributable to a reduction in competition that  
8 may result from the agreement.

10           A. In evaluating the potential benefits of a cooperative  
agreement, the ~~department~~ reviewing agencies shall consider  
12 whether one or more of the following benefits may result  
from the cooperative agreement:

14                   (1) Enhancement of the quality of ~~hospital--or~~  
16 ~~nonprofit--mental~~ health care, mental health care or  
related care provided to Maine citizens;

18                   (2) Preservation of hospital or nonprofit mental  
20 health care provider and related facilities in  
geographical proximity to the communities traditionally  
22 served by those facilities;

24                   (3) Gains Lower costs and gains in the cost efficiency  
of services provided by the hospitals or ~~nonprofit~~  
26 ~~mental~~ health care providers involved;

28                   (4) Improvements in the utilization of hospital or  
~~nonprofit--mental~~ health care provider resources and  
30 equipment;

32                   (5) Avoidance of duplication of hospital or ~~nonprofit~~  
~~mental~~ health care resources; and

34                   (6) Continuation or establishment of needed  
36 educational programs for health care professionals and  
providers.

38           In any certificate for a merger issued under this chapter,  
40 the ~~department~~ reviewing agencies shall make specific  
findings as to the nature and extent of any likely benefit  
42 found under this paragraph.

44           B. The ~~department's~~ reviewing agencies' evaluation of any  
disadvantages attributable to any reduction in competition  
46 likely to result from the agreement may include, but need  
not be limited to, the following factors:

48                   (1) The extent of any likely adverse impact on the  
50 ability of health maintenance organizations, preferred

2 provider organizations, managed health care service  
agents or other health care payors to negotiate optimal  
4 payment and service arrangements with hospitals,  
physicians, allied health care professionals or other  
health care providers;

6  
8 (2) The extent of any reduction in competition among  
hospitals, physicians, allied health professionals,  
10 other health care providers or other persons furnishing  
goods or services to, or in competition with, hospitals  
12 or nonprofit mental health care providers that is  
likely to result directly or indirectly from the  
hospital cooperative agreement and its likely impact;

14  
16 (3) The extent of any likely adverse impact on  
patients or clients in the quality, availability and  
price of health care services;

18  
20 (4) The availability of arrangements that are less  
restrictive to competition and achieve the same  
benefits or a more favorable balance of benefits over  
22 disadvantages attributable to any reduction in  
competition likely to result from the agreement; and

24  
26 (5) The extent of any likely adverse impact on the  
access of persons in in-state educational programs for  
28 health professions to existing or future clinical  
training programs.

30 C. In evaluating the cooperative agreement under the  
standards in paragraphs A and B, the department reviewing  
32 agencies shall consider the extent to which any likely  
disadvantages may be ameliorated mitigated by any reasonably  
34 enforceable conditions and the extent to which the likely  
benefits or favorable balance of benefits over disadvantages  
36 may be enhanced by any reasonably enforceable conditions  
under subparagraph (2).

38  
40 (1) In any certificate issued under this subsection,  
the department reviewing agencies may include  
conditions reasonably necessary to ameliorate mitigate  
42 any likely disadvantages of the type specified in  
paragraph B, subparagraphs (1) to (3).

44  
46 (2) In any certificate issued under this subsection,  
the department reviewing agencies may include  
48 additional conditions, if proposed by the applicants,  
designed to achieve public benefits, ~~which that~~ which that may  
include but are not limited to the benefits listed in  
50 paragraph A.



2           (3) ~~In any certificate issued under this subsection~~  
3           ~~the department shall require the applicants to report~~  
4           ~~periodically the extent of their compliance with any~~  
5           ~~conditions issued under this paragraph. The department~~  
6           ~~shall review the applicant's submission and compliance~~  
7           ~~and report the results of its review to the Attorney~~  
8           ~~General. Reviews are required as follows:~~

10           (a) ~~For transactions not involving mergers, at~~  
11           ~~least once in the first 39 months after issuance~~  
12           ~~of the certificate, and~~

14           (b) ~~For transactions involving mergers, between~~  
15           ~~27 and 39 months after issuance of the~~  
16           ~~certificate. In this review the department also~~  
17           ~~shall analyze the extent to which benefits have~~  
18           ~~been achieved by the merger.~~

20           D. The department shall maintain on file all cooperative  
21           agreements for which certificates of public advantage remain  
22           in effect. Any party to a cooperative agreement who  
23           terminates the agreement shall file a notice of termination  
24           with the department within 30 days after termination.

26           ~~5. **Review by Attorney General.** The department shall~~  
27           ~~consult with the Attorney General regarding its evaluation of any~~  
28           ~~potential reduction in competition resulting from a cooperative~~  
29           ~~agreement.~~

30           ~~6. **Certificate termination and enforcement.** If the~~  
31           ~~department determines that the likely benefits resulting from a~~  
32           ~~certified agreement no longer outweigh any disadvantages~~  
33           ~~attributable to any potential reduction in competition resulting~~  
34           ~~from the agreement, the department may initiate proceedings to~~  
35           ~~terminate the certificate of public advantage. The department~~  
36           ~~may institute proceedings to enforce any conditions included in~~  
37           ~~the certificate if it determines that the applicants are not in~~  
38           ~~substantial compliance with such conditions. All proceedings~~  
39           ~~under this subsection must be conducted under Title 5, chapter~~  
40           ~~375, subchapter IV.~~

42           ~~7. **Recordkeeping.** The department shall maintain on file~~  
43           ~~all cooperative agreements for which certificates of public~~  
44           ~~advantage remain in effect. Any party to a cooperative agreement~~  
45           ~~who terminates the agreement shall file a notice of termination~~  
46           ~~with the department within 30 days after termination.~~

48           Sec. 6. 22 MRSA §1883-A is enacted to read:

2        **§1883-A. Continuing supervision**

4            **1. Periodic reports.** In any certificate of public  
6        advantage issued under section 1883, the reviewing agencies shall  
8        require the applicant to report periodically on the extent of the  
10       benefits realized and, in the case of any certificate containing  
12       conditions, its compliance with any conditions issued under this  
14       chapter. The reviewing agencies shall evaluate the applicant's  
16       submission and compliance and within 30 days of receipt of the  
18       submission issue a report of their findings. Reviews are  
20       required as follows:

22            **A. For transactions not involving mergers, at least once in**  
24            **the first 12 months after issuance of the certificate; and**

26            **B. For transactions involving mergers, between 12 and 24**  
28            **months after issuance of the certificate.**

30            **2. Supervisory proceedings.** At any time, one or more of  
32        the reviewing agencies may initiate supervisory proceedings for  
34        the purpose of evaluating compliance with any conditions imposed  
36        in the certificate of public advantage or for the purpose of  
38        determining whether, in their estimation, the likely benefits  
40        resulting from a certified agreement continue to outweigh the  
42        likely disadvantages attributable to any potential reduction in  
44        competition resulting from the agreement. Supervisory  
46        proceedings are governed by the procedures set forth in section  
48        1883, subsection 3.

50            **Sec. 7. 22 MRSA §1885,** as amended by PL 1995, c. 583, §§8 to  
52        12, is repealed.

54            **Sec. 8. 22 MRSA §1886,** as amended by PL 1995, c. 583, §§13  
56        and 14, is further amended to read:

58        **§1886. Effect of certification; applicability**

60            **1. Validity of certified cooperative agreements.**  
62        Notwithstanding Title 5, chapter 10, Title 10, chapter 201 or any  
64        other provision of law, a cooperative agreement for which a  
66        certificate of public advantage has been issued is a lawful  
68        agreement. Notwithstanding Title 5, chapter 10, Title 10,  
70        chapter 201 or any other provision of law, if the parties to a  
72        cooperative agreement file an application for a certificate of  
74        public advantage governing the agreement with the department  
76        reviewing agencies, the conduct of the parties in negotiating and  
78        entering into a cooperative agreement is lawful conduct. Nothing  
80        in this subsection immunizes any person for conduct in  
82        negotiating and entering into a cooperative agreement for which  
84        an application for a certificate of public advantage is not filed.

2           2. ~~Validity of cooperative agreements determined not in~~  
3 ~~public interest. If, in any action by the Attorney General, the~~  
4 ~~Superior Court determines that the applicants have not~~  
5 ~~established by clear and convincing evidence that the likely~~  
6 ~~benefits resulting from a cooperative agreement outweigh any~~  
7 ~~disadvantages attributable to any potential reduction in~~  
8 ~~competition resulting from the agreement, the agreement is~~  
9 ~~invalid and has no further force or effect when the judgment~~  
10 ~~becomes final after the time for appeal has expired or the~~  
11 ~~judgment of the Superior Court is affirmed on appeal.~~

12  
13           3. **Other laws specifically regulating hospitals.** Nothing  
14 in this chapter exempts hospitals or other health care providers  
15 from compliance with laws governing certificates of need or  
16 hospital cost reimbursement.

17  
18           5. **Contract disputes.** Any dispute among the parties to a  
19 cooperative agreement concerning its meaning or terms is governed  
20 by normal principles of contract law.

21  
22           **Sec. 9. 22 MRSA §1888**, as amended by PL 1995, c. 232, §7, is  
23 repealed.

24           **Sec. 10. 22 MRSA §1889**, as enacted by PL 1995, c. 583, §15,  
25 is amended to read:

26  
27           **§1889. Application fee**

28  
29           Any application for a certificate of public advantage  
30 involving a merger must be accompanied by an application fee of  
31 \$10,000, unless the hospitals seeking to merge each have less  
32 than 50 licensed beds, in which case the fee is ~~\$2,500~~ \$5,000.  
33 Any application submitted that includes as a party an entity not  
34 subject to the assessment described in section 1887 must be  
35 accompanied by an application fee of \$5,000. The department  
36 Attorney General shall place these funds into a nonlapsing  
37 dedicated revenue account and funds may be used only by the  
38 Attorney General for the payment of the cost of experts and  
39 consultants in connection with reviews conducted under this  
40 chapter.

41  
42           **Sec. 11. 22 MRSA §8709, sub-§1**, as enacted by PL 1995, c. 653,  
43 Pt. A, §2 and affected by §7, is amended to read:

44  
45           1. **Financial data.** Each health care facility shall file  
46 with the organization, ~~in a form specified by rule pursuant to~~  
47 ~~section 8704~~, financial information including costs of operation,  
48 revenues, assets, liabilities, fund balances, other income,  
49 rates, charges and units of services, except to the extent that  
50

2 the board specifies by rule that portions of this information are  
unnecessary. Except as provided in subsection 1-A, information  
4 required by this subsection must be submitted in a form specified  
by rule pursuant to section 8704.

6 **Sec. 12. 22 MRSA §8709, sub-§1-A is enacted to read:**

8 **1-A. Hospitals; standardized accounting template.** When  
10 filing the annual financial information required by subsection 1,  
12 a hospital licensed in accordance with chapter 405 shall submit  
14 its information electronically using standardized accounting  
template software designed by the Governor's Office of Health  
Policy and Finance and provided to the hospital by the  
organization.

16 **Sec. 13. Standardized reporting and voluntary limits to control**  
**growth of hospital costs.**

18 **1. Voluntary restraint.** To control the rate of growth of  
20 the costs of hospital services, the Legislature requests that  
22 each hospital licensed under the Maine Revised Statutes, Title  
24 22, chapter 405 voluntarily restrain cost increases and operating  
margins in accordance with this section. The targets apply to  
26 each hospital's fiscal year beginning on or after July 1, 2005  
and remain in effect through the end of each hospital's fiscal  
year beginning on or after July 1, 2007.

28 A. Each hospital is asked to voluntarily hold its operating  
30 margin to no more than 3%, as measured using data submitted  
32 to the Maine Health Data Organization using the electronic  
34 standardized accounting template software required by Title  
22, section 8709, subsection 1-A. For purposes of this  
section, a hospital's operating margin is calculated by  
36 dividing its operating income, as computed in the template,  
by its total operating revenue, as computed in the template.

38 B. Each hospital is asked to voluntarily restrain its  
increase in its expense per casemix-adjusted inpatient and  
40 volume-adjusted outpatient discharge to no more than the  
forecasted increase in the hospital market basket index for  
42 the coming federal fiscal year, as published in The Federal  
Register, when the federal Centers for Medicare and Medicaid  
44 Services publishes the Medicare program's hospital inpatient  
prospective payment system rates for the coming federal  
46 fiscal year. For purposes of this paragraph, the measure of  
a hospital's expense per casemix-adjusted inpatient and  
volume-adjusted outpatient discharge is calculated by:

48 (1) Calculating the hospital's total hospital-only  
50 expenses;

- 2                   (2)     Subtracting     from     the     hospital's     total  
4     hospital-only expenses the amount of the hospital's bad  
                  debt;
- 6                   (3)     Subtracting     from     the     amount     reached     in  
8     subparagraph (2) the hospital taxes paid to the State  
                  during the hospital's fiscal year; and
- 10                  (4)     Dividing the amount reached in subparagraph (3) by  
12     the product of:
- (a)     The number of inpatient discharges, adjusted  
14                   by the all payer case mix index for the hospital;  
                  and
- 16                   (b)     The ratio of total gross patient service  
18                   revenue to gross inpatient service revenue.

20     For the purposes of this paragraph, a hospital's total  
22     hospital-only expenses include any item that is listed on  
24     the hospital's Medicare cost report as a subprovider, such  
26     as a psychiatric unit or rehabilitation unit, and does not  
28     include nonhospital cost centers shown on the hospital's  
30     Medicare cost report, such as home health agencies, nursing  
       facilities, swing beds, skilled nursing facilities and  
       hospital-owned physician practices. For purposes of this  
       paragraph, a hospital's bad debt is as defined and reported  
       in the hospital's Medicare cost report.

32     C. By October 1, 2005, the Maine Hospital Association and  
34     the Governor's Office of Health Policy and Finance shall  
36     agree on a target for increases in hospitals' expense per  
       casemix-adjusted inpatient discharge. Each hospital's  
       expense per casemix-adjusted inpatient discharge is  
       calculated using the following process:

- 38                  (1)     Each patient's expense per discharge is calculated  
40                   by applying the Medicare cost report ratio of  
42                   cost-to-charges for the matching cost centers to the  
44                   charge detail on each patient's discharge abstract as  
                  reported in the Maine Health Data Organization's  
                  discharge abstracts;
- 46                  (2)     The hospital's average expense per discharge is  
48                   calculated by adding the costs of all discharges and  
                  dividing the sum by the total number of discharges; and
- 50                  (3)     The hospital's expense per casemix-adjusted  
                  inpatient discharge is calculated by adjusting the

2 average expense per discharge by the average case  
weight for the hospital, using case weights issued by  
4 the federal Centers for Medicare and Medicaid Services.

6 **Sec. 14. Outpatient cost-efficiency.** By January 1, 2006, the  
Maine Hospital Association and the Governor's Office of Health  
8 Policy and Finance shall agree on a timetable, format and  
methodology for the hospital association to measure and report on  
10 outpatient cost-efficiency. The methodology must use the  
ambulatory payment classification system as the unit of cost.

12 **Sec. 15. Standardization of administrative cost tracking.** The  
Legislature requests that the Maine Hospital Association develop,  
14 by January 1, 2006, standardized definitions of various  
administrative cost categories that hospitals may use when  
16 establishing budgets and reporting on spending on administrative  
costs.

18 **Sec. 16. Health care administrative streamlining work group.**

20 **1. Work group established.** The Governor's Office of Health  
22 Policy and Finance shall convene a health care administrative  
streamlining work group to facilitate the creation and  
24 implementation of a single portal through which hospitals can  
access and transmit member eligibility, benefit and claims  
26 information from multiple insurers. The work group shall  
investigate:

28 **A. Funding mechanisms, including seeking outside funding**  
30 **for start-up and ongoing operational costs, with the**  
intention that the portal become independent and sustainable  
32 over time; and

34 **B. Ways to ensure that savings resulting from**  
implementation of such a portal are passed on to purchasers  
36 in the form of rate reductions by hospitals and other  
providers and by reductions in administrative costs by  
38 insurers and 3rd-party administrators.

40 The work group may also consider the incorporation of medical and  
quality data to the extent possible in the future.

42 **2. Membership.** The work group consists of 17 members  
44 appointed by the Governor. The membership of the work group must  
reflect the geographic diversity of the State. Members serve as  
46 volunteers and without compensation or reimbursement for  
expenses. The membership consists of the following persons:

48 **A. Four members representing community hospitals chosen**

- 2 from a list submitted by a statewide association  
representing hospitals;
- 4 B. Four members representing insurers or other 3rd-party  
6 payors;
- 8 C. Two members representing physician practices;
- 10 D. One member representing an organization that specializes  
in the collection of health care data;
- 12 E. One member representing statewide business;
- 14 F. One member representing the Maine Quality Forum;
- 16 G. Two members representing the Department of  
18 Administrative and Financial Services, Bureau of Insurance;
- 20 H. One member representing the Department of Health and  
Human Services; and
- 22 I. The chair of the Public Purchasers' Steering Group.

24 **3. Duties.** The work group shall consider the issues  
26 outlined in subsection 1. The work group may:

- 28 A. Hold public hearings to collect information from  
30 individuals, hospitals, health care providers, insurers,  
3rd-party payors, government-sponsored health care programs  
and interested organizations;
- 32 B. Consult with experts in the fields of health care and  
34 hospitals and public policy; and
- 36 C. Examine any other issues to further the purposes of the  
study.

38 **4. Staff assistance.** The Governor's Office of Health  
40 Policy and Finance shall staff the work group. The work group  
shall work in cooperation with the Maine Hospital Association and  
42 the Maine Association of Health Plans. The Department of Health  
and Human Services and the Maine Health Data Organization shall  
provide additional staff support or assistance as needed.

44 **5. Report.** The work group shall submit a report and any  
46 suggested legislation to the Governor and the joint standing  
committee of the Legislature having jurisdiction over health and  
48 human services matters and the joint standing committee of the  
Legislature having jurisdiction over insurance and financial  
50 services matters no later than November 1, 2006.





2 title of the law to "the Hospital and Health Care Provider  
Cooperation Act."

4 2. It requires hospitals to submit to the Maine Health Data  
6 Organization their annual financial information using electronic  
8 standardized accounting template software designed by the  
Governor's Office of Health Policy and Finance and provided to  
hospitals by the Maine Health Data Organization.

10 3. It continues voluntary targets for hospitals for:

12 A. Hospital entity operating margins;

14 B. Cost increases for a mixed inpatient and outpatient  
measure; and

16 C. Cost increases for an inpatient-only measure.

18 The operating margin target is not more than 3%. The mixed  
20 inpatient and outpatient cost increase target is no more than the  
22 forecasted increase in the hospital market basket index for the  
coming federal fiscal year. The inpatient-only cost increase  
24 target will be negotiated between the Maine Hospital Association  
and the Governor's Office of Health Policy and Finance and  
determined no later than October 1, 2005.

26 4. It instructs the Maine Hospital Association and the  
28 Governor's Office of Health Policy and Finance to agree by  
January 1, 2006 on a timetable, format and methodology for the  
30 hospital association to measure and report on outpatient  
cost-efficiency. The methodology must use the ambulatory payment  
32 classification system as the unit of cost.

34 5. It requests that the Maine Hospital Association develop,  
by January 1, 2006, standardized definitions of various  
36 administrative cost categories that hospitals may use when  
establishing budgets and reporting spending on administrative  
38 costs.

40 6. It instructs the Governor's Office of Health Policy and  
Finance to convene a health care administrative streamlining work  
42 group to facilitate the creation and implementation of a single  
portal through which hospitals can access and transmit member  
44 eligibility, benefit and claims information from multiple  
insurers. The work group is directed to investigate funding  
46 mechanisms, including seeking outside funding for start-up and  
ongoing operational costs, with the intention that the portal  
48 become independent and sustainable over time, and ways to ensure  
that savings resulting from implementation of such a portal are  
50 passed on to purchasers in the form of rate reduction by

2 hospitals and other providers and by reduction in administrative  
3 costs by insurers and 3rd-party administrators. The work group  
4 may also consider the incorporation of medical and quality data  
5 to the extent possible in the future. The work group is directed  
6 to submit a report and any necessary suggested legislation to the  
7 Governor and the joint standing committee of the Legislature  
8 having jurisdiction over health and human services matters and  
9 the joint standing committee of the Legislature having  
10 jurisdiction over insurance and financial services matters no  
later than November 1, 2006.

12 7. It instructs the Department of Health and Human Services  
13 to review the existing hearing process provided in the laws  
14 governing certificates of need to determine whether that process  
15 ensures that the Commissioner of Health and Human Services has  
16 all the information needed to make a fair and accurate  
17 determination of whether each project proposed for certification  
18 meets the needs of Maine citizens. It directs the Department of  
19 Health and Human Services to conduct the review described and  
20 then report its findings and any proposed changes to the law to  
21 the joint standing committee of the Legislature having  
22 jurisdiction over health and human services matters no later than  
23 January 1, 2006. It also requires that the department, by  
24 January 1, 2006, review and make recommendations regarding the  
25 certificate of need program's staffing needs and fee structure,  
26 including comparisons to other states, and report its findings to  
27 the joint standing committee of the Legislature having  
28 jurisdiction over health and human services matters.