

2013

Paying it Back, Moving Maine Forward

Office of Governor Paul LePage

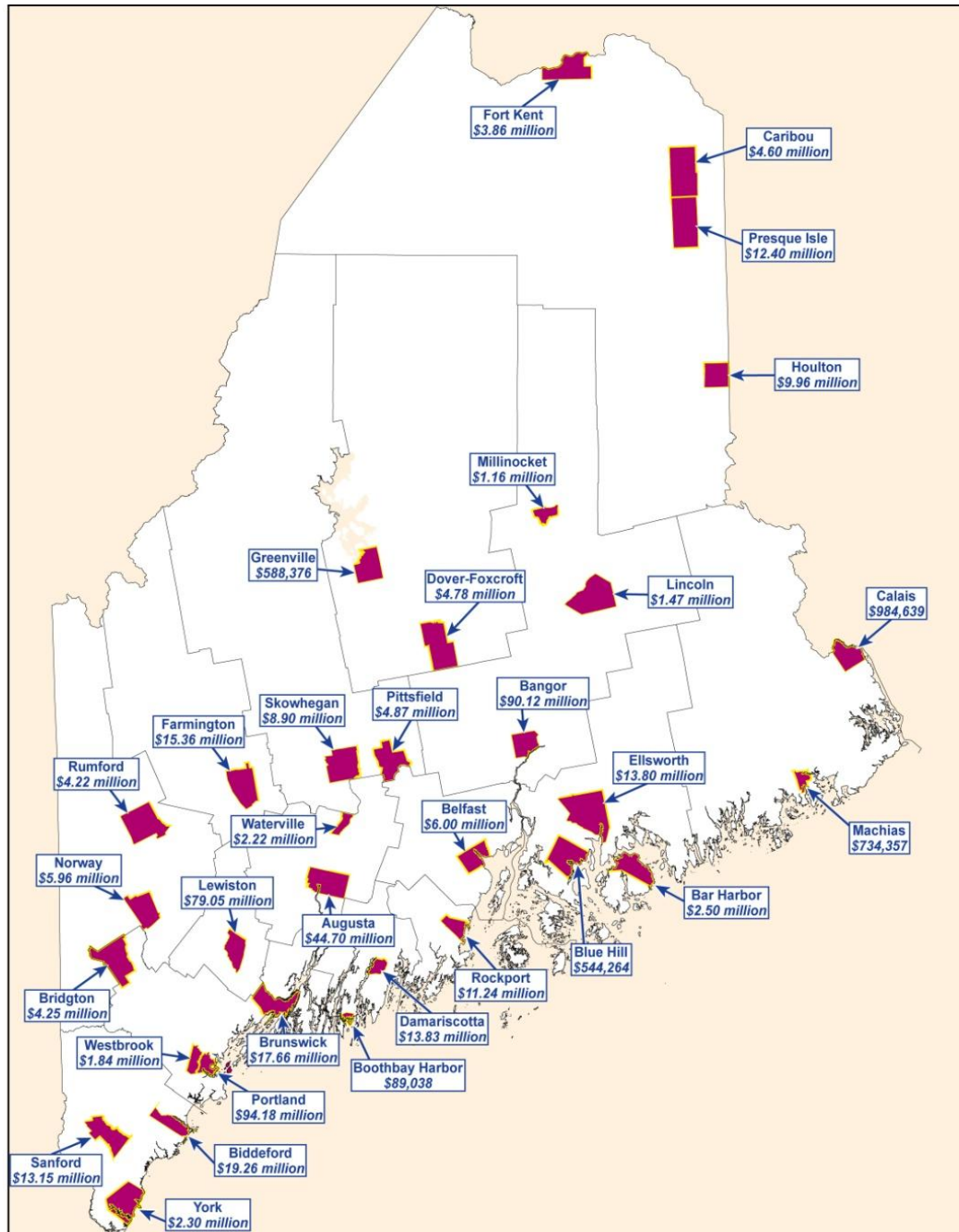
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Paying It Back, Moving Maine Forward



Prepared by the Office of Governor Paul R. LePage, January 15, 2013

Beginning in the mid-2000s, rapid expansions to MaineCare eligibility had hospitals providing services to more patients than the State's monthly prospective payments covered. Instead of settling-up at the end of the year, the State gave hospitals an IOU. The result was an artificially-balanced budget and a massive debt to Maine's 39 community hospitals.

In 2011, when Governor LePage took office, he worked with the 125th Legislature to pay the bills through 2008 and reform the reimbursement system, ensuring hospitals are paid as they provide services. A \$484 million debt remains with \$186 million to be paid by the State that will trigger a \$298 million federal match. Every year that the State waits to make good on that bill, the match decreases by millions of dollars, leading to an ever-expanding debt.

Leaving these bills unpaid means hospitals across the state have been forced to lay off employees and reduce benefits, borrow against lines of credit to meet payroll and other obligations, dip into savings accounts and forgo interest, delay payments to local vendors, and even eliminate services. Hospitals in our largest service centers are being hurt the most, including Eastern Maine Medical Center, owed \$71.9 million; Maine Medical Center, owed \$67.7 million; and Central Maine Medical Center, owed \$50.2 million. Mainers agree with Governor LePage that continuing to let these bills go unpaid is the wrong thing to do to the hospitals that employ and care for Maine people, and it is bad business.

Legislation introduced by Governor LePage will allow Maine to finally make good on this long overdue bill. When enacted, the emergency bill, "An Act to Provide the Best Return for the State and Pay Maine's Hospitals," will authorize the State to immediately issue a revenue bond on its future liquor sales, which the State will retain operational control over, starting in 2014 when a current 10-year private contract that has lost Maine millions finally expires.

Paying back the hospitals has been a priority of Governor LePage since, as a candidate, he participated in a rally at CMMC to draw attention to the true impact of this debt to Maine hospitals, communities and people. Promise made. Promise kept.

And with the bills finally paid with future liquor sales, Governor LePage will sell all authorized but yet unissued bonds, including \$51.5 million for transportation infrastructure improvements and \$53.5 million in other bonds that support conservation, clean water upgrades and construction at post-secondary educational institutions, investing in Maine's future and creating jobs. The Governor has also proposed a \$100 million facilities bond for the construction of new corrections center in Windham, to be paid from savings generated by more efficient operations of the modernized facilities.

Your support of the Governor's proposal is greatly appreciated. Call your elected officials today and tell them: It's time to settle up.

FAQS

How much does the State owe to Maine's hospitals? Today, Maine's 39 hospitals are owed \$484 million for MaineCare services dating back to 2009. At current federal matching rates, \$186 million will be paid by the State, triggering a \$298 million federal match.

The following is a list of the 10 largest settlements due:

Eastern Maine Medical Center, Bangor	\$71.9 million
Maine Medical Center, Portland	\$67.7 million
Central Maine Medical Center, Lewiston	\$50.2 million
MaineGeneral Medical Center, Augusta	\$44.7 million
St. Mary's Medical Center, Lewiston	\$28.8 million
Mercy Hospital, Portland	\$24.4 million
Southern Maine Medical Center, Biddeford	\$19.3 million
Franklin Memorial Hospital, Farmington	\$15.4 million
MidCoast Hospital, Brunswick	\$13.8 million
Maine Coast Hospital, Ellsworth	\$13.8 million

How will the State of Maine pay this bill? Maine is one of 19 states that regulate beverage alcohol within its borders. By controlling this product, the State is the only entity that may bring liquor into the state. In 2004, the Baldacci Administration leased out one of the State's most reliable revenue streams – its liquor sales. While the State got an instant payout of \$125 million and about \$60 million in small annual payments in the years since, it is estimated the deal has ultimately cost Maine millions of dollars. Governor LePage's "Act to Provide the Best Return for the State and Pay Maine's Hospitals" returns that book of business to the State's Bureau of Alcoholic Beverages and Lottery Operations after the current contract expires in 2014 and authorizes the State to immediately issue a revenue bond on its future liquor sales to pay the hospital bills.

I thought Governor LePage was against bonds. Why is he willing to issue one to pay off the hospitals? Governor LePage is not against bonds, but he believes it is irresponsible to issue new debt without a credible plan to pay our outstanding debts. Additionally, the bond that will fund paying back the hospitals is a revenue bond, meaning the collateral it is issued against is a secure revenue stream – in this case, future State liquor sales. Thus, these revenue bonds do not constitute a debt or liability of the State, unlike a general bond which is backed by the full faith and credit of the State. And once the State has addressed its hospital debt, the Governor believes he can responsibly issue the other general bonds already approved by voters, the selling of which he has always maintained is a matter of appropriate timing.

How quickly after the revenue bond is issued will hospitals receive their payments?

Governor LePage aims to get his legislation enacted quickly to ensure the State capitalizes on the current federal matching rate before it falls further. With the full support of the Legislature, hospitals could receive their payments and the authorized general bonds could be sold in a matter of months.

Statements of Support

"We have had selective layoffs, deferred hiring people, frozen wages and delayed needed capital projects due in part to our tenuous cash situation. Payment of the MaineCare debt is the single most effective way to improve the stability of our organization. You can count on our support as you work with the Maine Legislature to use revenues from the state liquor contract to pay the settlement debt." - R. David Frum, President, Rumford and Bridgton Hospitals

"I cannot tell you how difficult it has been to continue to provide critical health care services to the greater Portland community, while at the same time we faced millions in unpaid State bills. I applaud the ethical responsibility in your decision. For the State to honor its prior obligations and pay for services already rendered is an important principle -not only for hospitals, but for all businesses in Maine and those who do business with our State government. It is the right message to send. Mercy will support this effort through to its conclusion." - Eileen F. Skinner, President & CEO, Mercy Hospital

"I would like to thank you for addressing the unpaid debt that Maine's hospitals have been carrying for too many years. This lingering debt has negatively impacted employment opportunities and capital acquisition at our hospital. Your persistence in dealing with this debt issue and payments going forward not only shows your support for Maine's hospitals, but your understanding of the economic engine we are for our communities and our entire state." - Kris A. Doody, RN, CEO Cary Medical Center

"The sale of these bonds will allow the University of Maine to move forward with needed infrastructure upgrades on campus. Bond investments like these play an important part in ensuring that our students have access to quality educational facilities. We are pleased to learn the Governor has made these bonds a priority to move Maine forward." - James Page, UMaine System Chancellor

"We at Mayo Regional Hospital are fully supportive of the plan proposed by Governor LePage for settling the outstanding debt owed to Maine's hospitals. The Governor deserves our thanks for proposing this innovation solution in order to fix this continuing problem, once and for all. The settlement of this obligation will allow us to make more timely payments to local businesses for services they provide to our hospital. Payment will also allow Mayo to make vital investments in the medical technology, information systems and hospital facilities required to uphold the quality of care that has Maine's hospitals ranked as the best in the country. When the debt is paid, Mayo will be able to invest." - Edward Hannon, President & CEO, Mayo Regional Hospital

"We are pleased and encouraged that included in the Governor's proposals, are provisions that would advance the Land for Maine's Future program by making available voter-approved bond issue funds this year. We are hopeful that the Governor and the Legislature can work together to bring needed funds to this incredibly popular and important land conservation program, and will stand ready as an organization to promote and assist in making manifest this promising development." - David Trahan, Executive Director, Sportsman's Alliance of Maine

"The downstream effect of these financial challenges on the Lewiston/Auburn community has been dramatic. The plan you have identified to use revenues from state liquor sales to pay the MaineCare debt is one we wholeheartedly support. Thank you for your leadership in resolving this issue, thereby stimulating Maine's economy and strengthening the healthcare services provided to our citizens." - Laird P. Covey, President, Central Maine Medical Center

"I am delighted to hear that the Governor is releasing the bonds, which will allow for important economic development to proceed in Brunswick that will reoccupy these buildings and create jobs." - Steve Levesque, MRRA Executive Director

"I wish to thank Governor LePage for his proposal to pay the State's debt owed to hospitals. His continued support of hospital payment could not come at a more opportune time. In July of 2012 we were forced to lay off staff, outsource jobs to a contractor to save money and reduce hours of clinical services in several departments. Payment of the debt will go directly back into the services and employees of our facility." - Maria Vienneau, CEO/CNO, Millinocket Regional Hospital

"We appreciate the plan to pay the hospital debt, to put this issue behind us and allow our staff to focus on the health and satisfaction of our patients." - Jeanine Chesley, CEO, New England Rehabilitation Hospital of Portland

"As the second largest employer in Hancock County, the unpaid debt has played a major role in the management and operations of Maine Coast Memorial Hospital. Payment of the debt will be invested in people, services and community." - Charles D. Therrian, President & CEO, MaineCoast Memorial Hospital

"I would like to thank Governor LePage for his laser-like focus on getting the state's fiscal house in order. Let's get our economy moving by clearing old debts, by prioritizing tax dollars, and by investing in our future. It will pay off, not only for us, but for generations to come." - Mark Curtis, General Manager, Gorham Sand & Gravel