

SENATE No. 531

The Commonwealth of Massachusetts

In the Year Two Thousand Nine

An Act relative to strategic investment in the Commonwealth's chronically distressed hospitals..

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Notwithstanding any general or special law to the contrary, there shall be
2 established two programs, as follows. The first program shall be called the Strategic Investment
3 in Chronically Distressed Hospital Program (“SICDSH”), and the second program shall be
4 called the Community Hospital In-Patient Pyschiatric Relief Program(“CHIPP”). The purpose of
5 said SICDSH program shall be to provide annual additional funding to Disproportionate Share
6 (“DSH”) Hospitals, as defined by 114.1 CMR 36.04 and M.G.L. 118G §1, located in
7 economically distressed or tourist-based communities that consistently show net operating
8 margin below the Massachusetts hospital industry median due to underfunding from MassHealth
9 program reimbursement and losses on publicly funded behavioral health care programs. The
10 criteria for a hospital’s eligibility for the SICDSH program shall include consideration of such
11 hospital’s payer mix percentage, its operating margin based on annual hospital filings to the
12 Commonwealth’s Division of Health Care Finance and Policy (the “Division”) for the preceding
13 hospital fiscal year, adjusted to exclude any grants awarded; provided further, for the purpose of
14 this program, DSH hospitals that have a corporate affiliation with any managed care organization

15 under contract with the Executive Office of Health and Human Services, Office of Masshealth
16 (“Masshealth Office”), shall not be eligible to participate. The SICDSH program shall provide
17 annual funding relief to eligible DSH hospitals based on an analysis and findings by the Division
18 from a review of the eligibility criteria for relief. DSH hospitals may petition the Division to
19 request a determination of eligibility for payment from the SICDSH fund. A determination of
20 eligibility shall cause the MassHealth Office to upwardly adjust said hospital’s MassHealth rates
21 and inpatient psychiatric rates, as reimbursed either through the Masshealth Office or its single
22 statewide contractor for managed behavioral health care services, to bring said eligible
23 hospital’s operating margin up to the industry median for all hospitals statewide, as determined
24 by hospital cost reports on file with the Division for the prior fiscal year. Said review and
25 adjustment shall be completed within 90 days of the close of the hospital fiscal year for each
26 eligible hospital. Hospitals that receive funding from the SICDSH program shall maintain
27 records of amounts received from the program and of expenditures made from such funds, and
28 shall make such records available for inspection upon request by the Division.

29 SECTION 2. that it shall be the purpose of the CHIPP program to provide annual
30 additional funding to community hospitals that provide inpatient psychiatric services to
31 individuals enrolled in the Masshealth program; provided further, that the

32 eligibility criteria for community hospitals to receive funding from the CHIPP program
33 shall be the relative operating margin of each community hospital compared to the
34 Massachusetts hospital industry median operating margin as determined by hospital cost reports
35 on file with the Division for the prior fiscal year. To be eligible for funding from the CHIPP
36 program, community hospitals must have in-patient psychiatric units that have operating margins
37 that fall below the median operating margin of all hospitals in the Commonwealth, adjusted to

38 exclude any grants awarded from the Essential Community Provider Trust Fund. Community
39 hospitals may petition the Division within 90 days from the close of each hospital fiscal year, for
40 a determination of eligibility for funding from the CHIPP program, and, if eligible, for an
41 increase in in-patient psychiatric rates of up to 100% of cost, but in no event greater than the
42 median operating margin for all hospitals as determined by the Division for the prior fiscal year.
43 Hospitals that receive funding from the CHIPP program shall maintain records of amounts
44 received from the program and of expenditures made from such funds, and shall make such
45 records available for inspection upon request by the Division.