SENATE DOCKET, NO. 1957 FILED ON: 1/15/2009

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:

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

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

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

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

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