

HOUSE No. 1188

The Commonwealth of Massachusetts

PRESENTED BY:

James J. O'Day

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to high public payer community hospital funding.

PETITION OF:

NAME:

DISTRICT/ADDRESS:

James J. O'Day

14th Worcester

Jennifer E. Benson

37th Middlesex

HOUSE No. 1188

By Mr. O'Day of West Boylston, a petition (accompanied by bill, House, No. 1188) of James J. O'Day and Jennifer E. Benson relative to payments to certain eligible acute care hospitals from the Community Hospital Reinvestment Trust Fund. Health Care Financing.

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-First General Court
(2019-2020)**

An Act relative to high public payer community hospital funding.

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

1 Chapter 29 of the General Laws is hereby amended by striking section 2TTTT, as
2 appearing in the 2016 Official Edition, and inserting in place thereof the following section:-

3 Section 2TTTT. (a) For the purposes of this section the following words shall have the
4 following meanings:

5 “Case mix”, the description and categorization of a hospital’s patient population
6 according to criteria determined by the center for health information and analysis including, but
7 not limited to, primary and secondary diagnoses, primary and secondary procedures, illness
8 severity, patient age and source of payment.

9 “Commercial volume”, the proportion of patients that seek care at an acute care hospital
10 that are insured by private carriers.

11 “Dispersed service area,” a geographic area of the commonwealth in which a provider
12 organization delivers health care services.

13 “Major service category”, a set of service categories as specified by the center for health
14 information and analysis, including: (i) acute hospital inpatient services, by major diagnostic
15 category; (ii) outpatient and ambulatory services, by categories as defined by the Centers for
16 Medicare and Medicaid Services, or as specified by the center for health information and
17 analysis, including a residual category for “all other” outpatient and ambulatory services that do
18 not fall within a defined category; (iii) behavioral health services; (iv) professional services, by
19 categories as defined by the Centers for Medicare and Medicaid Services, or as specified by the
20 center for health information and analysis; and (v) sub-acute services, by major service line or
21 clinical offering, as specified by the center for health information and analysis.

22 “Medicaid volume”, the proportion of patients that seek care at an acute care hospital that
23 are insured by a state medicaid program.

24 “Primary service area”, a geographic area of the commonwealth in which consumers are
25 likely to travel to obtain health services.

26 “Relative price”, the contractually negotiated amounts paid to providers by each private
27 and public carrier for health care services, including non-claims related payments and expressed
28 in the aggregate relative to the payer’s network-wide average amount paid to providers, as
29 calculated pursuant to section 10 of chapter 12C.

30 (b) There shall be established and set upon the books of the commonwealth a separate
31 fund to be known as the Community Hospital Reinvestment Trust Fund. Funds shall be
32 expended, without further appropriation, by the secretary of health and human services. The fund

33 shall consist of money from public and private sources, such as gifts, grants and donations,
34 interest earned on such revenues, any other money authorized by the general court and
35 specifically designated to be credited to the fund, and any funds provided from other sources.
36 Money in the fund shall be used to provide annual financial support, consistent with the terms of
37 this section, to eligible acute care hospitals. The secretary of health and human services, as
38 trustee, shall administer the fund and shall make expenditures from the fund consistent with this
39 section.

40 (c) The secretary of health and human services may incur expenses and the comptroller
41 may certify amounts for payment in anticipation of expected receipts; provided, however, that no
42 expenditure shall be made from the fund which shall cause the fund to be deficient at the close of
43 a fiscal year. Revenues deposited in the fund that are unexpended at the end of a fiscal year shall
44 not revert to the general fund and shall be available for expenditure in the following fiscal year.

45 (d) The secretary of health and human services shall annually direct payments from the
46 fund to eligible acute care hospitals. To be eligible to receive payment from the fund, an acute
47 care hospital shall be licensed under section 51 of chapter 111, and shall not be a hospital with
48 relative prices that are at or above the 90th percentile of the statewide average relative price. In
49 directing payments, the secretary of health and human services shall allocate payments to eligible
50 acute care hospitals based on the proportion of each eligible acute care hospital's total gross
51 patient service revenue to the combined gross patient service revenue of all eligible acute care
52 hospitals in the prior hospital rate year; provided, however, that payments shall be adjusted to
53 allocate proportionally greater payments to eligible acute care hospitals with relative prices that
54 fall farthest below the 90th percentile of the statewide average relative price and shall also
55 consider: (i) medicaid volume; (ii) commercial volume; (iii) major service categories not readily

56 offered by providers within the same primary service areas and dispersed service areas; (iv) case
57 mix; (v) affiliation status; and (vi) geography.

58 (e) The secretary of health and human services shall annually direct payments from the
59 fund to eligible acute care hospitals. To be eligible to receive payment from the fund, an acute
60 care hospital shall be licensed under section 51 of chapter 111. In directing payments, the
61 secretary of health and human services shall allocate payments to eligible acute care hospitals
62 based on the proportion of each eligible acute care hospital's total gross patient service revenue
63 to the combined gross patient service revenue of all eligible acute care hospitals in the prior
64 hospital rate year and shall also consider: (i) medicaid volume; (ii) commercial volume; (iii)
65 major service categories not readily offered by providers within the same primary service areas
66 and dispersed service areas; (iv) case mix; (v) affiliation status; (vi) geography; and (vii) relative
67 price.

68 (f) The secretary of health and human services shall promulgate regulations necessary to
69 carry out this section, including regulations establishing a formula to allocate payments pursuant
70 to subsection (e).

71 (g) Not later than 30 days after payments are allocated to eligible acute care hospitals
72 under this section, the secretary of health and human services shall file a report with the joint
73 committee on health care financing and the house and senate committees on ways and means
74 detailing the allocation and recipient of each payment.