

**HOUSE . . . . . No.**

---

**The Commonwealth of Massachusetts**

PRESENTED BY:

*Hannah Kane*

*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 to ensure the efficient operation of hospitals.

PETITION OF:

| NAME:              | DISTRICT/ADDRESS:     | DATE ADDED:      |
|--------------------|-----------------------|------------------|
| <i>Hannah Kane</i> | <i>11th Worcester</i> | <i>1/16/2025</i> |

**HOUSE . . . . . No.**

[Pin Slip]

**The Commonwealth of Massachusetts**

**In the One Hundred and Ninety-Fourth General Court  
(2025-2026)**

An Act to ensure the efficient operation of 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. Chapter 6D of the General Laws is hereby amended by inserting after  
2 section 21 the following new language: -

3 Section 22. Ensuring the Efficient Operation of Hospitals

4 (a) The commission shall develop an index to measure and ensure hospital efficiency. In  
5 developing the hospital efficiency index, the commission shall consider existing measures of  
6 hospital efficiency, which shall include but not be limited to the following:

7 i. Measures of low-value care and potentially avoidable utilization, including but  
8 not limited to avoidable hospital admissions, hospital readmissions, avoidable emergency  
9 department visits, preventable medical errors, hospital-acquired infections, unnecessarily  
10 extended length of stay, and use of low-value services and treatments, developed in consultation  
11 with the Betsy Lehman Center;

12           ii.       Measures that examine inpatient and outpatient hospital payment levels compared  
13 with hospital performance on standard quality measure set, as established by the center for health  
14 information and analysis pursuant to section 14 of chapter 12C;

15           iii.       Measures that examine the hospital's cost of delivering care compared to other  
16 hospitals, including but not limited to measures of cost per case, ratios comparing costs to  
17 payments, average length of stay, efficient use of bed capacity, and measures of hospital  
18 operating expenses per case or service delivered, and compared to Medicare reimbursement rates  
19 and national trends; and

20           iv.       Measures of administrative waste and other unnecessary administrative spending,  
21 including but not limited to, foregone opportunities due to lack of clinical and operational  
22 integration, redundant staffing, unnecessary duplication of procedures and diagnostic testing,  
23 lack of electronic medical records and interoperability of patient medical records.

24           (b) The commission shall develop each component of the efficiency measure for  
25 application at both the hospital and the system level, unless the commission deems that certain  
26 measures would be more appropriately applied at the system level.

27           (c) Prior to publishing the hospital efficiency index under subsection (a), the commission  
28 shall hold a public hearing. The commission shall provide public notice of such hearing at least  
29 45 days prior to the date of the hearing, including notice to the joint committee on health care  
30 financing. The commission shall identify as witnesses for the public hearing a representative  
31 sample of hospitals, hospital systems, payers, including public and private payers, consumer  
32 organizations, employer representatives, and such other interested parties as the commission may  
33 determine. Any other interested parties may testify at the hearing.

34 (d) The commission shall evaluate the index every two years and may modify the index.  
35 Prior to publishing an updated index, the commission shall hold a public hearing as set forth in  
36 subsection (c).

37 (e) The commission shall publish an annual report on its website and include as part of its  
38 annual hearings, pursuant to section 8, hospital performance, in the aggregate and by individual  
39 hospital, on each component of the index.

40 (f) The commission, in consultation with the center for health information and analysis  
41 shall promulgate regulations governing the collection of data sufficient to monitor hospital  
42 efficiency.

43 (g) The commission shall develop recommendations governing the enforcement of the  
44 hospital efficiency index by the state and private and commercial payers. The commission's  
45 recommendations shall include, but not be limited to the following:

46 i. Requiring commercial insurers, Medicaid, and group insurance commission to  
47 directly apply efficiency adjustments to hospital contracts based on performance on the  
48 efficiency index;

49 ii. Requiring the hospital to enter into an efficiency correction action plan if a  
50 hospital performs poorly on the index overall or on any component of the index; and

51 iii. Prohibiting commercial, Medicaid, and the group insurance commission payment  
52 for low value care or other hospital services related to potentially avoidable utilization, provided  
53 that consumers are protected from balance billing for such services.

54           The commission, in consultation with the center for health information and analysis, the  
55 office of Medicaid, the group insurance commission, and the division of insurance, shall file a  
56 report containing its recommendations for enforcement of the hospital efficiency index with the  
57 house and senate committees on ways and means and the joint committee on health care  
58 financing and shall be published and made available to the public no later than July 1, 2026.