

HOUSE No.

The Commonwealth of Massachusetts

PRESENTED BY:

Mark J. Cusack

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 transparency of hospital and health system finances.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
<i>Mark J. Cusack</i>	<i>5th Norfolk</i>	<i>1/15/2025</i>

HOUSE No.

[Pin Slip]

The Commonwealth of Massachusetts

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

An Act relative to transparency of hospital and health system finances.

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 12C of the General Laws, as so appearing in the 2022 Official
2 Edition, is hereby amended by striking section 8 in its entirety and inserting in place thereof the
3 following section:-

4 Section 8. (a) The center shall promulgate such regulations as necessary to ensure the
5 uniform collection, analysis, and reporting of revenues, charges, costs, prices, and utilization of
6 health care services and other such data as the center may require of institutional providers and
7 their parent organizations and any other affiliated entities, including significant equity investors,
8 health care real estate investment trusts and management services organizations, non-institutional
9 providers and provider organizations; provided, however, that the center may establish reporting
10 thresholds through regulation. Such uniform reporting shall enable the center to identify, on a
11 patient-centered and provider-specific basis, statewide and regional trends in the cost, price,
12 availability and utilization of medical, surgical, diagnostic and ancillary services provided by
13 acute hospitals, nursing homes, chronic care and rehabilitation hospitals, other specialty

14 hospitals, clinics, including mental health clinics and the ambulatory care providers as the center
15 may specify. The center shall also promulgate regulations to require providers to report any
16 agreements through which provider agrees to furnish another provider with a discount, rebate or
17 any other type of refund or remuneration in exchange for, or in any way related to, the provision
18 of health care services.

19 (b) With respect to any acute or non-acute hospital, the center shall, by regulation,
20 designate information necessary to effectuate this chapter including, but not be limited to, the
21 filing of a charge book, the filing of cost data and audited financial statements, including the
22 audited financial statements of the parent organization's out-of-state operations, significant
23 equity investors, health care real estate investment trusts and management services organizations,
24 and the submission of merged billing and discharge data. The center shall, by regulation,
25 designate standard systems for determining, reporting and auditing volume, case-mix, proportion
26 of low-income patients and any other information necessary to effectuate this chapter and to
27 prepare reports comparing acute and non-acute care hospitals by cost, utilization and outcome.
28 The regulations may require the hospitals to file required information and data by electronic
29 means; provided, however, that the center shall allow reasonable waivers from the requirement.
30 The center shall, at least annually, publish a report analyzing the comparative information to
31 assist third-party payers and other purchasers of health services in making informed decisions.
32 The report shall include comparative price and service information relative to outpatient mental
33 health services.

34 (c) The center shall also collect, analyze, and report such data as it considers necessary in
35 order to better protect the public's interest in monitoring the financial conditions of acute
36 hospitals and health systems.. The information shall be analyzed and reported on an industry-

37 wide and hospital and health system-specific basis and shall include, but not be limited to: (1)
38 gross and net patient service revenues, (2) sources of hospital revenue, including revenue
39 excluded from consideration in the establishment of hospital rates and charges under section 13G
40 of chapter 118E; (3) private sector charges; (4) trends in inpatient and outpatient case mix, payer
41 mix, hospital volume and length of stay; (5) total payroll as a per cent of operating expenses, as
42 well as the salary and benefits of the top 10 highest compensated employees, identified by
43 position description and specialty, (6) margins, including margins by payer type; (7) investments;
44 (8) information on any relationships with significant equity investors, health care real estate
45 investment trusts and management service organizations, (9) pension benefit obligations
46 including reporting on ratio of pension-adjusted long-term debt to total capitalization and the
47 funded status of entity's defined benefit pension; (10) cost and cost trend data for direct labor
48 including contracted and non-contracted labor and by professional category; (11) average hourly
49 wage data by occupational categories utilizing the same categories utilized by Medicare Wage
50 Index Occupational Mix Survey, Form CMS-10079; (12) the bond rating submission package for
51 hospital or health system; and (13) detailed information about financial transfers between health
52 systems and their hospitals, physician practices, and other facilities.

53 (d) The center shall measure and report the relative financial importance of an individual
54 hospital, physician practice, or other entity within a health system to the overall health system by
55 measuring and reporting the following information: (1) the entity's share of operating revenue,
56 (2) the entity's share of non-operating revenue, and (3) the entity's share of debt. The center shall
57 ensure that when measuring the performance of a hospital or health system, information is
58 included regarding all components of the health system. The center shall collect and report

59 detailed information regarding financial transfers between health systems and their hospitals
60 physician practices, and other affiliated facilities.

61 (e) The center shall publish annual reports and establish a continuing program of
62 investigation and study of financial trends in the acute hospital and health system industry,
63 including an analysis of systemic instabilities or inefficiencies that contribute to financial distress
64 in the acute hospital industry. The reports shall include an identification and examination of
65 hospitals that the center considers to be in financial distress, including any hospitals at risk of
66 closing or discontinuing essential health services, as defined by the department of public health
67 under section 51G of chapter 111, as a result of financial distress. The reports on the financial
68 health of hospitals and health systems, the center shall include, but not be limited to the
69 following financial metrics:

70 (1) Total margin by line of business, including all commercial business and for all state
71 and federal government business;

72 (2) Operating margin by line of business, including all commercial business and for all
73 state and federal government business;

74 (3) Debt service coverage ratio;

75 (4) The average age of plant ratio;

76 (5) Days cash on hand;

77 (6) Ratio of pension-adjusted long-term debt to total capitalization;

78 (7) Capital expenditure as a percent of depreciation expense;

79 (8) Free care as a percent of total operating margins;

80 (9) Medicaid supplemental payments as a percent of net patient service revenue (NPSR);

81 and

82 (10) Uncompensated care burden.

83 The center may periodically, as necessary and appropriate, review and modify uniform
84 reporting requirements and update the metrics utilized to capture emerging financial measures in
85 a complete and uniform manner and may require hospitals to report required information
86 quarterly to effectuate this subsection.

87 (f) The center shall publicly report and place on its website information on health status
88 adjusted total medical expenses including a breakdown of the health status adjusted total medical
89 expenses by major service category and by payment methodology, relative prices and hospital
90 inpatient and outpatient costs, including direct and indirect costs under this chapter on an annual
91 basis; provided, however, that at least 10 days before the public posting or reporting of provider
92 specific information the affected provider shall be provided the information for review. The
93 center shall request from the federal Centers for Medicare and Medicaid Services the health
94 status adjusted total medical expenses of provider groups that serve Medicare patients.

95 (g) When collecting information or compiling reports intended to compare individual
96 health care providers, the center shall require that:

97 (1) providers which are representative of the target group for profiling shall be
98 meaningfully involved in the development of all aspects of the profile methodology, including
99 collection methods, formatting and methods and means for release and dissemination;

100 (2) the entire methodology for collecting and analyzing the data shall be disclosed to all
101 relevant provider organizations and to all providers under review;

102 (3) data collection and analytical methodologies shall be used that meet accepted
103 standards of validity and reliability;

104 (4) the limitations of the data sources and analytic methodologies used to develop
105 provider profiles shall be clearly identified and acknowledged, including, but not limited to, the
106 appropriate and inappropriate uses of the data;

107 (5) to the greatest extent possible, provider profiling initiatives shall use standard-based
108 norms derived from widely accepted, provider-developed practice guidelines;

109 (6) provider profiles and other information that have been compiled regarding provider
110 performance shall be shared with providers under review prior to dissemination; provided,
111 however, that opportunity for corrections and additions of helpful explanatory comments shall be
112 provided prior to publication; and, provided, further, that such profiles shall only include data
113 which reflect care under the control of the provider for whom such profile is prepared;

114 (7) comparisons among provider profiles shall adjust for patient case-mix and other
115 relevant risk factors and control for provider peer groups, when appropriate;

116 (8) effective safeguards to protect against the unauthorized use or disclosure of provider
117 profiles shall be developed and implemented;

118 (9) effective safeguards to protect against the dissemination of inconsistent, incomplete,
119 invalid, inaccurate or subjective profile data shall be developed and implemented; and

120 (10) the quality and accuracy of provider profiles, data sources and methodologies shall
121 be evaluated regularly.

122 SECTION 2. Chapter 12C of the General Laws, as so appearing, is hereby amended by
123 inserting after section 8 the following new section:-

124 8A. Reporting of Hospital Margins

125 (a) If in any fiscal year, an acute hospital, as defined in this chapter, reports to the center
126 an operating margin that exceeds 3.6 percent, the center shall hold a public hearing within 60
127 days. The acute hospital shall submit testimony on its overall financial condition and the
128 continued need to sustain an operating margin that exceeds 3.6 percent. The acute hospital shall
129 also submit testimony on efforts the acute hospital is making to advance health care cost
130 containment and health care quality improvement; and whether, and in what proportion to the
131 total operating margin, the acute hospital will dedicate any funds to reducing health care costs.
132 The center shall review such testimony and issue a final report on the results of the hearing. In
133 implementing the requirements of this Section, the center shall utilize data collected by hospitals
134 pursuant to the requirements of Section 8 of chapter 12C.