

Joint Committee on Health Care Financing 2025-2026 (194th) Bill Summary

Bill Number: House, No. 1398

Title: AN ACT RELATIVE TO HOSPITAL PROFIT AND FAIRNESS

Sponsor: Representative James J. O’Day (West Boylston)

Hearing Date: June 2, 2025

Reporting Deadline: August 1, 2025

Prior History: 2023-24 (H.1179* – Cutler): Accompanied a new draft of multiple matters (H4620), reported favorably and referred to House Ways and Means; Passed to be engrossed and published as amended (H4643); Read and referred to Senate Ways and Means; Reported favorably by Senate Ways and Means with a new draft (S2871); Reprinted as amended (S2881); Conference committee (H5159) reported to the House. Conference committee report accepted, enacted; Signed by the Governor on January 8, 2025, see Chapter 343 of the Acts of 2024
2021-22 (H.1255): Ordered to a House Study
2019-20 (H.1144): No further action taken

Similar Matters: S899 (Moore – Identical, Health Care Financing)

Current Law:

M.G.L. c. 6D establishes the Health Policy Commission (HPC) as an independent agency within the Executive Office of Administration and Finance to set health care cost growth goals, enhance provider organization transparency, monitor and review marketplace changes, and establish a health care cost growth benchmark for the average growth in total health care expenditures.

M.G.L. Ch. 12C establishes the Center for Health Information and Analysis (CHIA) as an independent agency tasked with collecting and analyzing health care data and publish annual reports on health care costs, cost trends, market power, and quality data in support of the annual health care cost trends hearings conducted by the HPC.

M.G.L. Ch. 12C §§ 8 & 9 direct CHIA to ensure uniform reporting by institutional providers, parent organizations, providers, and provider organizations of revenues, charges, costs, price, utilization of services, and other pertinent data necessary to identify health care trends.

M.G.L. Ch. 12C § 10 directs CHIA to ensure uniform reporting by private and public health care payers of information necessary to analyze trends in health insurance costs and utilization.

M.G.L. c. 111 §§ 51 to 56 inclusive, authorizes the Department of Public Health (DPH) to establish and enforce standards and practices concerning the licensing, maintenance, and operation of hospitals and clinics.

Summary:

The proposed legislation adds a new section 245 Hospital Profit and Fairness in chapter 111. This new section establishes a civil penalty for any hospital licensed by DPH, that accepts funding from the Commonwealth, and that pays its chief executive officer (CEO) greater than 50 times the amount that the hospital compensates its lowest paid worker. The funding from the civil penalties would go into a new fund, the Medicaid Reimbursement Enhancement Fund, to financially support Medicaid reimbursement hospitals. comprised of the following sections:

- **Subsection (a):** Defines the terms “facility”; “compensation”, and “minimum facility compensation.”
- **Subsection (b):** Establishes an operating margin limitation. A facility that receives state funds, has patient mix comprised of fewer than 60% government payer patients, and generates an annual operating margin of more than 8% shall be subject to a civil penalty equal to the amount by which the margin exceeds 8%.
- **Subsection (c):** Establishes a limitation on CEO compensation. If a facility receives state funds and the annual compensation of the facility’s CEO is more than 50 times the minimum facility compensation, the facility would be subject to a civil penalty equal to the excess amount of compensation.
- **Subsection (d):** Requires facilities to annually report all “financial assets,” including any foreign holdings or investments, to the CHIA. CHIA shall make this information publicly available within seven days of receipt.
- **Subsection (e):** Establishes the Medicaid Reimbursement Enhancement Fund. Penalties collected as a result of CEO compensation violations shall be deposited into the fund. Monies in the fund shall be expended to improve Medicaid reimbursements to “eligible” hospitals, although chapter 111 does not define eligibility criteria.
- **Subsection (f):** States that the provisions of the act shall not apply to any agreements or contracts in effect as of January 1, 2025.
- **Subsection (g):** Directs the HPC to promulgate regulations for implementation, operation and enforcement.
- **Subsection (h):** States that the provisions of the act are severable.