

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

<u>Bill Number:</u>	House, No. 1356
<u>Title:</u>	AN ACT RELATIVE TO TRANSPARENCY OF HOSPITAL AND HEALTH SYSTEM FINANCES
<u>Sponsor:</u>	Representative Mark J. Cusack (Braintree)
<u>Hearing Date:</u>	June 2, 2025
<u>Reporting Deadline:</u>	August 1, 2025
<u>Prior History:</u>	New Bill
<u>Similar Matters:</u>	N/A

Current Law:

M.G.L. Ch. 12C § 1, as amended by chapter 343 of the acts of 2024, “*An Act enhancing the market review process [H5159]*”, defines certain terms as understood within the context of Chapter 12C, which governs the operations and activities of the Center for Health Information and Analysis (CHIA), an independent agency tasked with collecting and analyzing health care data and publishing 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, as amended by chapter 343 of the acts of 2024, “*An Act enhancing the market review process [H5159]*”, governs data reporting requirements for institutional providers and their parent organizations and any other affiliated entities including significant equity investors, health care real estate investment trusts and management services organizations, non-institutional providers and provider organizations. CHIA is required to ensure uniform reporting of revenues, charges, costs, prices, utilization of health care services, and other pertinent data. The center shall use the data to identify trends in health care costs, availability, and utilization of services provided by acute care hospitals, nursing homes, chronic care and rehabilitation hospitals, other specialty hospitals, clinics, and specified ambulatory care providers. The center shall also collect and analyze data necessary to better protect the public's interest in monitoring the financial conditions of acute care hospitals.

Summary:

SECTION 1 of the proposed legislation strikes section 8 of chapter 12C in its entirety and inserts a new section 12C, making changes in the following subsections:

- **In subsection (a)**, by expanding the mandate for CHIA to promulgate regulations specific to the uniform reporting of the data obtained from institutional providers and their parent organizations and other affiliated entities under Section 8 to now require the center to promulgate regulations specific to “the uniform collection, analysis, and reporting” of such data.
- **In subsection (c)**, as follows:
 - Expanding CHIA’s duty to monitor the financial condition of acute hospitals by including “health systems” as a new and distinct classification of entity, and by directing the center to also analyze and report on data submitted on a “health system-specific basis”.

- Expanding the list of data acute hospitals and health systems must annually report to by requiring the submission of the following new data sets:
 - (9) pension benefit obligations including reporting on ratio of pension-adjusted long-term debt to total capitalization and the funded status of entity’s defined benefit pension;
 - (10) cost and cost trend data for direct labor including contracted and non-contracted labor and by professional category;
 - (11) average hourly wage data by occupational categories utilizing the same categories utilized by Medicare Wage Index Occupational Mix Survey, Form CMS-10079;
 - (12) the bond rating submission package for hospital or health system; and
 - (13) detailed information about financial transfers between health systems and their hospitals, physician practices, and other facilities.
- Limiting the information that CHIA may include in its analysis and reporting activities to just the listed data sets by striking existing language permitting CHIA incorporate “other relevant measures of financial health or distress” as necessary.
- Striking the 2nd and 3rd paragraphs of subsection (c) and reinserting the paragraphs as subsection (e), see below.
- In subsection (d), as follows:
 - Striking the text of the existing subsection (d) and reinserting it in Section 8 as subsection (f).
 - Inserting a new subsection (d) directing CHIA to “measure and report the relative financial importance of an individual hospital, physician practice, or other entity within a health system to the overall health system” using an individual entity’s share of a system’s operating revenue, non-operating revenue, and debt. The new subsection (d) further directs CHIA to collect and report detailed information regarding financial transfers between health systems and their hospital, physician practices, and other affiliated facilities.
- In subsection (e), as follows:
 - Striking the text of the existing subsection (e) and reinserting it in Section 8 as subsection (g).
 - Reinserting the 2nd and 3rd paragraphs of subsection (c) as subsection (e).
 - Expanding CHIA’s program to continually investigate and report annually the financial health of acute hospitals to include “health systems” as a new and distinct classification of entity, directing the center to analyze and report on data submitted on a “health system-specific basis, and by instructing CHIA to incorporate into its report an analysis of systemic instabilities or inefficiencies that contribute to financial distress.
 - Requiring CHIA’s annual report on the financial health of acute hospitals and health systems to include, at minimum, the following data sets:
 - (1) Total margin by line of business, including all commercial business and for all state and federal government business;
 - (2) Operating margin by line of business, including all commercial business and for all state and federal government business;
 - (3) Debt service coverage ratio;
 - (4) The average age of plant ratio;
 - (5) Days cash on hand;
 - (6) Ratio of pension-adjusted long-term debt to total capitalization;
 - (7) Capital expenditure as a percent of depreciation expense;
 - (8) Free care as a percent of total operating margins;
 - (9) Medicaid supplemental payments as a percent of net patient service revenue (NPSR); and
 - (10) Uncompensated care burden.
- In subsection (f), by inserting the text of the existing subsection (d), as currently appearing.
- In subsection (g), by inserting the text of the existing subsection (e), as currently appearing.

SECTION 2 of the proposed legislation inserts into Chapter 12C a new Section 8A, requiring CHIA to conduct a public hearing on any acute hospitals that report an operating margin in excess of 3.6%. The center is required to schedule this hearing within 60 days. An acute hospital subject to this section is required to submit testimony to CHIA on its overall financial condition, the continued need to sustain an operating margin in excess of 3.6%, efforts being made to advance health care cost containment and health care quality improvement, and whether, and in what proportion to the total operating margin, the acute hospital will dedicate any funds to reducing health care costs. CHIA is instructed to “issue a final report on the results of the hearing.”