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Statement before the Joint Commission on Health Care Financing in support of Senate Bill 555, *An Act to Create a Commission to Determine the Capital Needs of Community Hospitals*

An economic report prepared in October 2005 (Moscovitch, Cape Ann Economics) pointed to some disturbing indicators regarding the future ability of community hospitals to meet the future health care needs of their communities. The report noted that:

1. Current hospital capacity utilization in Massachusetts is significantly higher than elsewhere in the country.
2. Projected increases in the over 65 population will likely lead to the need to expand facilities.
3. Adjusted for case mix severity and age differences, community hospital costs per adjusted discharge are significantly lower than elsewhere in the country.
4. Despite this more efficient cost behavior, profitability is significantly lower than community hospitals elsewhere in the country, which has led to a condition where assets per hospital day are lower and hospitals are greatly under capitalized.
5. Concurrently, more than half of all hospital admissions are to teaching hospitals- about 2 ½ times the national average. Over the last several years the entire increase in hospital admissions has been to teaching hospitals.
6. If present conditions continue, the community hospital sector will not be in a position to expand appropriately leaving all potential growth to the teaching sector. The excess cost of secondary care in a teaching setting is estimated at \$1.7B annually for inpatient services only.

A Commission to identify the capital needs of the community hospital sector, the ability of hospitals to meet those needs and the identification of potential actions that can be undertaken by public programs to better optimize the availability of capital is in the Public interest.