

Justification and Senate 555 as filed.

Justification for SB 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.

SENATE No. 555

The Commonwealth of Massachusetts

PRESENTED BY:

Moore, Richard (SEN)

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 passage of the accompanying bill:

An Act to Create a Commission to Determine the Capital Needs of Community Hospitals

PETITION OF:

NAME:	DISTRICT/ADDRESS:
Moore, Richard (SEN)	Worcester and Norfolk

[SIMILAR MATTER FILED IN PREVIOUS SESSION
SEE SENATE, NO. S00692 OF.]

The Commonwealth of Massachusetts

In the Year Two Thousand and Nine

AN ACT TO CREATE A COMMISSION TO DETERMINE THE CAPITAL NEEDS OF COMMUNITY HOSPITALS.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. There shall be a special commission to identify the capital needs of the community hospital sector with regard to use of technology and adequacy of facilities, the ability of the sector to meet the health care needs of the general population in the next decade, and potential sources of capital to meet those needs. Said Commission shall also evaluate the

role of public programs, payments and regulations in supporting capital accumulation and make recommendations to advance the ability of the community hospital sector to meet the expected demand. Said Commission shall be comprised of the Secretary of Health and Human Services, the Commissioner of the Department of Public Health, the Secretary of Administration and Finance, the Commissioner of the Department of Medical Assistance, a representative of the Massachusetts Council of Community Hospitals, a representative of the Massachusetts Hospital Association, a representative of the Associated Industries of Massachusetts, a representative of the Massachusetts Business Roundtable, the chief executive officer of the Massachusetts Health and Educational Facilities Authority, the chief executive officer of Mass Development, the House and Senate Chairs of Ways and Means, the House and Senate Chairs of the Joint Committee on Health Care Financing, and a member of the minority party in both the House and Senate, appointed by the House and Senate Minority Leaders, a chief elected local official with a community hospital located in said community to be appointed by the Governor, an individual knowledgeable about demographic trends and hospital utilization to be appointed by the Governor and an individual knowledgeable about hospital finance and construction to be appointed by the Governor.

SECTION 2. Said Commission shall hold hearings and issue a report to the General Court no later than December 31, 2010.