



Massachusetts Council of Community Hospitals

December 6, 2007

The Honorable Susan C. Fargo
Chair
Joint Committee on Public Health
State House, Room 504
Boston, MA 02133

Dear Senator Fargo:

Testimony for House 2066

The Massachusetts Council of Community Hospitals supports House 2066, An Act Establishing a Special Commission to Determine the Capital Needs of Community Hospitals. Enclosed is our rationale for establishing the Commission. In addition, enclosed are several reports that provide further insight into the difficult situation our community hospitals are currently in with regard to the availability of existing capital to fund replacement of existing facilities, as well as their ability to expand both in facility, and services and technology for expected future needs. Also, please find the *Quarterly Acute Hospital Financial Report, FY07 Q3*, from the Massachusetts Division of Health Care Finance and Policy.

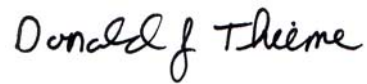
The 2005 report, *Massachusetts Community Hospitals – A Comparative Economic Analysis: Rising Demand vs. Falling Profitability*, by Dr. Edward Moscovitch, noted that rising future needs for acute care, due to an increasing elderly population, would be very difficult to meet by the community hospital sector. He believed that the higher cost teaching sector was in a better position financially and that we could expect that the teaching sector would grow at a faster rate than the community hospital sector. The implication of this difference in growth rates is that an estimated annual \$1.7 billion of excess cost of secondary care rendered in a teaching model of care, as noted by Dr. Moscovitch, would grow even higher. Since this report was rendered in 2005 the teaching sector has put into service, or has plans to put into service, almost 1000 additional beds while the community hospital sector has virtually no plans to expand.

The *Executive Briefing on the Dynamics of the Boston Market*, by Health Leaders – Interstudy & Price Waterhouse Coopers, notes that Massachusetts hospitals have among the greatest number of hospitals with a limited access to capital. The Q3 '07 report from the Division of Health Care Finance and Policy, which is responsible for reporting on the financial condition of Massachusetts hospitals, notes that 25% of Massachusetts hospitals are in danger of not meeting their long term debt obligations.

As a reminder of the value of the community hospital sector, not only as a lower cost alternative for secondary care but as providers of high quality care, I have enclosed a report by Dr. Nancy Kane of the Harvard School of Public Health, *Comparing the Clinical Quality and Cost of Secondary Care in Academic Health Centers and in Community Hospitals*, which compares the cost and quality of community hospitals and teaching hospitals.

We believe that by understanding the current and future needs of the community hospital sector we can better balance the value that community medicine can provide with the strengths our teaching sector offers. If we fail to address our concerns then we feel the goals we hope to achieve with health reform will be jeopardized.

Sincerely,

A handwritten signature in cursive script that reads "Donald J. Thieme".

Donald J. Thieme
Executive Director

cc: David Johnson
Senators Buoniconti, Chandler, Creem, Galluccio, and Hedlund

Enclosures (5)