



Massachusetts Council of Community Hospitals

For Immediate Release:  
October 21, 2005  
Contact:  
Donald Thieme, 781/424-0930

### **Report Finds Massachusetts Hospitals Lack Capacity to Meet Demand for Care by Rapidly Growing Elderly Population**

(BOSTON) – The Massachusetts Council of Community Hospitals released a report today that warns the Commonwealth that it must prepare now to add at least five thousand acute care hospital beds to accommodate a coming surge of elderly patients.

The report finds that occupancy rates at Massachusetts community hospitals are already well above rates at community hospitals elsewhere in the nation while profits and available capital are well below the national average. Therefore, Massachusetts' community hospitals will not have the financial wherewithal to meet the demand for a growing elderly population and keep up with rapidly changing developments in medicine without a major improvement in hospital profitability and improved access to capital.

Drawing on Census reports, Dr. Edward Moscovitch of Cape Ann Economics projects a 71% increase in the population over age 65, the current Medicare eligibility age, from 2003 to 2030. This surge will require the addition of at least 5,000 acute hospital beds in the state by 2030. As community hospitals currently account for roughly half the hospital days for patients over 65, the report determines that they will need to add at least 2,500 of those beds over the next 25 years – a 36% increase in current capacity. To meet the needs of these Medicare patients, Massachusetts community hospitals would have to invest an additional \$1.7 billion in today's dollars – on top of the investments they'll need to make to keep pace with new medical developments and keep their physical plants in good repair.

However, the report finds that Massachusetts community hospitals are substantially undercapitalized. Their assets per hospital day are 36% below the fixed assets employed by community hospitals in other states.

“This report follows other recent studies by the Pioneer Institute and the State that address the high quality of care in the Commonwealth's community hospitals and their cost efficiency,” states Donald Thieme, the Executive Director of the Council. “The reports collectively point to the community hospitals as a good investment, but the sector has not been rewarded by the Commonwealth and private payers for this performance and, as a result, has been historically capital starved.”

This needed investment compounds an already difficult financial situation. The report notes that in 2002 community hospitals collectively made a profit on Medicare patients but lost money on non-Medicare patients. In other states, the pattern is just the opposite. Elsewhere, hospitals receive 21% more per patient from non-Medicare payers.

Massachusetts community hospitals as a whole have an operating loss of \$28 million per year.

The report points to the fact that in Massachusetts there is far greater reliance on teaching hospitals than in other areas of the country, with Massachusetts residents utilizing teaching hospitals at 2.5 times the national average. As a result, Community hospitals account for 75% of the Commonwealth's hospitals but only 50% of the acute hospital admissions. The report estimates that this reliance on teaching hospitals adds \$1.6 billion annually to the cost of health care in Massachusetts.

“This is an important moment for the citizens of the Commonwealth as we shape health reform,” Thieme notes. “The community hospitals will be needed to play an ever increasing role as demand for services change and patient and physician expectations rise. The community hospitals need technology, program expansion, and the ability to compete for physicians and other clinical resources. As health reform is constructed there must be made available new sources of capital. As payers develop insurance products they must develop incentives to utilize the most appropriate site of care and reward hospitals appropriately for their performance. This has not been done in the past but is necessary for the future.”

###