

SENATE . . . . . No. 1216

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*The Commonwealth of Massachusetts*

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SENATE, November 2, 1965.

The committee on Ways and Means, to whom was referred the petition (accompanied by Bill, Senate, No. 673) of John F. Parker for legislation to establish a division of hospital finances to be headed by a commissioner and defining his powers and duties, reports the accompanying Bill (Senate, No. 1216).

For the committee,

JOHN F. PARKER.

## The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Sixty-Five.

AN ACT FURTHER REGULATING THE DETERMINATION OF HOSPITAL COSTS AND CHARGES AND THE RATES TO BE PAID BY THE COMMONWEALTH OR ITS POLITICAL SUBDIVISIONS FOR HOSPITAL SERVICE PURCHASED BY IT OR FURNISHED TO PERSONS FOR WHOSE CARE THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION IS RESPONSIBLE.

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

1 SECTION 1. Chapter 7 of the General Laws is hereby  
2 amended by striking out section 30K, as most recently amended  
3 by section 1 of chapter 439 of the acts of 1963, and inserting  
4 in place thereof the following section: —  
5 *Section 30K.* The director of hospital costs and finances  
6 shall determine from time to time and certify to the com-  
7 missioner of administration, at least as often as annually, the  
8 average all-inclusive per diem ward charge to the general  
9 public for in-patient care or its equivalent, the average all-  
10 inclusive per diem ward cost of in-patient care for its equiva-  
11 lent, the average all-inclusive per diem cost of in-patient care  
12 for all patients, the average all-inclusive in-patient per diem  
13 cost and per diem charge of well newborn care, and the average  
14 all-inclusive in-patient per diem cost and all-inclusive per  
15 diem charge for infants weighing five pounds or less at birth,  
16 of each hospital, sanatorium and infirmary licensed by the de-  
17 partment of public health under section seventy-one of chapter  
18 one hundred and eleven and institutions or private house  
19 licensed by the department of mental health under section  
20 thirty-three of chapter one hundred and twenty-three. In  
21 determining such charges and costs, charges for and costs of  
22 ancillary services shall be included. Ancillary services shall  
23 be those services generally made available to all in-patients  
24 but shall exclude such items as the services of special duty  
25 nurses, optometrists, chiropodists and dentists, whole blood,

26 artificial appliances, eyeglasses, and other materials taken  
27 home to be used primarily after discharge from the hospital.  
28 If the director is unable to determine the average all-inclusive  
29 per diem ward cost or its equivalent or charge for such care  
30 in any hospital, sanatorium or infirmary because of failure or  
31 inability of any hospital, sanatorium or infirmary to provide  
32 current data, statistics, schedules or information, he shall de-  
33 termine and certify in lieu thereof a resonable average all-  
34 inclusive per diem ward cost and charge or their equivalent  
35 for such care. Upon request of the director all departments,  
36 boards and commissions of the commonwealth purchasing  
37 hospital care will furnish a listing in a manner prescribed  
38 by the director of the various out-patient services purchased  
39 by them. The director shall also determine and certify, at  
40 least as often as annually, after first receipt of the necessary  
41 data from hospitals, to the commissioner of administration  
42 recommended out-patient rates for each hospital, sanatorium  
43 or infirmary.

44 Any hospital receiving or accepting reimbursement or pay-  
45 ment from the commonwealth or any political subdivision  
46 thereof for the hospital care of patients shall, as a condition  
47 of the receipt of such reimbursement or payment, permit the  
48 director from time to time to obtain and examine such data,  
49 statistics, schedules or information as he may reasonably re-  
50 quire to enable him to determine such charges and costs. The  
51 director may use such resources, personnel, and facilities as  
52 are at his disposal for the determination of the aforesaid  
53 rates.

54 The director shall promulgate rules and regulations setting  
55 forth the basis upon which he shall make the determinations  
56 required above in accordance with a uniform system of hos-  
57 pital accounting and cost analysis and in conformity with  
58 generally accepted accounting principles and shall take into  
59 account such factors as the value of services by members of  
60 religious orders regularly working in a hospital which are  
61 rendered for partial or no payment, depreciation, an estimated  
62 current cost adjustment factor and, in the case of proprietary  
63 hospitals, a fair return on invested capital, but shall not in-

64 clude grants-in-aid for which no services are rendered. If in  
65 his judgment the average all-inclusive per diem cost of care  
66 in public ward accommodations or their equivalent of any  
67 hospital, institution, sanatorium or infirmary, because of  
68 circumstances peculiar to it, is excessive as compared with  
69 such average all-inclusive per diem cost of care in other hos-  
70 pitals, institutions, sanatoria or infirmaries located in the  
71 same geographical area, of comparable size or furnishing com-  
72 parable services, he shall determine an all-inclusive per diem  
73 cost of care in such accommodations for such hospital, institu-  
74 tion, sanatorium or infirmary and certify the same to the  
75 commissioner.

76 The commissioner shall certify only once on an annual basis  
77 effective January first of each year, to each department,  
78 board, or commission of the commonwealth which purchases  
79 care or is responsible for providing care by payments on  
80 behalf of any person in such hospitals, institutions, sanatoria  
81 and infirmaries, or which reimburses cities or towns for such  
82 care purchased by them or provided to persons for whom the  
83 cities and towns are responsible to make payments for such  
84 care, such rates with respect to each such hospital, institution,  
85 sanatorium and infirmary as will reflect charges made to the  
86 general public or current reasonable hospital costs, whichever  
87 is the lower. At the same time the director shall also notify  
88 each hospital, institution, sanatorium or infirmary, in writing,  
89 the rates established and certified for such hospital, institution,  
90 sanatorium or infirmary. All departments, boards or com-  
91 missions of the commonwealth purchasing or responsible for  
92 providing for such services shall pay the rates so certified.  
93 The various cities and towns of the commonwealth purchasing  
94 or responsible for providing for hospital care and receiving  
95 reimbursement therefor, in whole or in part, from the com-  
96 monwealth, shall pay the hospitals, institutions, sanatoria  
97 and infirmaries for such care at the rates so certified. The  
98 commissioner shall also certify at least annually to the divi-  
99 sion of industrial accidents the average all-inclusive per diem  
100 cost of care for all patients for each such hospital, institution,  
101 sanatorium and infirmary.

102 Any hospital claiming to be aggrieved by any action or  
103 failure to act by the commissioner as required in this section  
104 shall have a right to a fair hearing before an impartial referee.  
105 The Director of Hospital Costs and Finances shall represent  
106 the commonwealth at such hearings. The referee shall be a  
107 certified public accountant chosen by agreement of the com-  
108 missioner of administration and the hospital claiming to be  
109 aggrieved, but if, within fourteen days after a claim for hear-  
110 ing has been filed by an aggrieved hospital, they are unable  
111 to agree on the referee, they shall so notify the Massachusetts  
112 Society of Certified Public Accountants, and said Society  
113 shall choose a certified public accountant to be the referee.  
114 The referee shall receive one hundred dollars for each  
115 day that he sits, plus his expenses. The fee and expenses of  
116 the referee shall be paid by the hospital claiming to be ag-  
117 grieved. The decision of the referee shall be final, subject to  
118 judicial review in accordance with section fourteen of chap-  
119 ter thirty A. Application for such hearing shall be made to  
120 the commissioner within sixty days of notice of any such  
121 action or failure to act. Any such hearing shall be an adjudica-  
122 tory proceeding in accordance with and under the provisions  
123 of chapter thirty A and, subject to the availability of the  
124 technical personnel under the supervision of the director of  
125 hospital costs and finances, shall be held within thirty days  
126 of receipt of the claim therefor unless otherwise extended by  
127 agreement. A decision shall be rendered within sixty days of  
128 the termination of a hearing and the parties shall be notified  
129 of the decision, in writing, with the reasons therefor. Where  
130 such decision results in a rate different from that certified by  
131 the commissioner as aforesaid, the commissioner shall certify  
132 a new rate which shall also include an adjustment to the  
133 hospital for the period of time the old rate had been in effect.  
134 If no decision is rendered by said referee within sixty days  
135 of the termination of the hearing, the hospital may appeal  
136 to the courts in conformance with the procedures set forth in  
137 section fourteen of chapter thirty A.

1 SECTION 2. The second sentence of section 67C of chapter

2 111 of the General Laws, as appearing in section 1 of chapter  
3 573 of the acts of 1963, is hereby amended by striking out,  
4 in lines 3 and 4, the words "within ceiling rates as established  
5 by the department," and inserting in place thereof the  
6 words: — and shall pay the rates as certified by the commis-  
7 sioner of administration in accordance with the provisions of  
8 section thirty K of chapter seven.

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The first of these is the fact that the  
country was not yet settled. The  
population was small and the  
resources were limited. The  
government was weak and the  
people were poor. The  
country was in a state of  
anarchy and the people were  
in a state of confusion.

The second of these is the fact that  
the country was not yet united.  
There were many different  
groups and the people were  
not united. The government  
was not strong and the  
people were not united.

The third of these is the fact that  
the country was not yet  
developed. The resources were  
not used and the people were  
poor. The government was  
weak and the people were  
poor.

The fourth of these is the fact that  
the country was not yet  
settled. The population was  
small and the resources were  
limited. The government was  
weak and the people were  
poor.

The fifth of these is the fact that  
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