

CENTER FOR HEALTH INFORMATION AND ANALYSIS

**MASSACHUSETTS
HOSPITAL
PROFILES**

INDUSTRY OVERVIEW

DATA THROUGH
FISCAL YEAR 2015

MARCH 2017



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OVERVIEW

Number of Massachusetts Hospitals by System Affiliation and Profit Status in FY2015

In FY2015 there were a total of 90 hospitals in Massachusetts, including 65 acute care hospitals and 25 non-acute hospitals. This reflects a number of key transactions in the industry: the merger of Merrimack Valley into Steward Holy Family hospital; the closure of Quincy Medical Center, an acute hospital; and the closures of Radius Specialty Hospital and Spaulding North Shore, both non-acute hospitals.

The majority of hospitals were part of a larger hospital system that owned more than one hospital in addition to other lines of business. Sixty-seven hospitals (74%) were affiliated with a multi-hospital system in FY2015; 13 multi-acute systems encompassed 48 acute care hospitals and four non-acute hospitals. An additional five multi-hospital systems operated a combined 15 non-acute hospitals.

Seventy-four percent (74%) of hospitals are part of multi-hospital systems and 37% of hospitals are for-profit hospitals.

	Acute Non-Profit or Public	Acute For-Profit	Non-Acute Non-Profit	Non-Acute For-Profit	TOTAL
Multi-Hospital System	34	14	4	15	67
Individual Hospitals	17	0	2	4	23
TOTAL	51	14	6	19	90

UTILIZATION

Hospitals reported an increase in inpatient discharges from the previous year, with 808,410 inpatient discharges reported in FY2015, a 2% increase over the previous year. The four cohorts experienced similar trends between FY2014 and FY2015, but differed over the five year period of FY2011 to FY2015. The teaching hospital cohort is the only cohort that saw no decline in discharges over the five year period. The community-High Public Payer cohort had a 9% decrease in discharges, while the AMC and community cohorts experienced decreases of 7% and 6%, respectively.

Change in Discharges, by Cohort

All cohorts experienced increases in inpatient discharges between FY2014 and FY2015.

	Hospitals	FY2011 Discharges	FY2014 Discharges	FY2015 Discharges	% of Statewide Discharges	% Change, FY2011-2015	% Change, FY2014-2015
Academic Medical Center	6	240,385	219,458	223,232	28%	-7%	2%
Teaching Hospital	7	126,585	124,093	127,182	16%	0%	2%
Community Hospital	16	165,865	150,158	155,111	19%	-6%	3%
Community-High Public Payer	28	301,424	271,597	275,339	34%	-9%	1%
Specialty Hospital	8	27,991	26,876	27,546	3%	-2%	2%
Total Statewide	65	862,250	792,182	808,410	100%	-6%	2%

Data Source: Hospital Cost Reports

UTILIZATION

Diagnosis Related Groups (DRGs) are used to classify the types of patient cases a hospital treats. Neonate births remained the most common reasons for inpatient admissions in FY2015, and combined with delivery DRGs accounted for 17% of inpatient discharges statewide.

Other most frequent DRGs remained consistent with prior fiscal years; unique DRGs not associated with deliveries individually accounted for less than 4%, respectively.

Top Discharges Statewide by Diagnostic Group (FY2015)

Normal neonate births remained the most common reason for inpatient admissions in FY2015.

Rank	DRG	Description	Discharges*	% Total Discharges
1	640	Normal neonate birth	60,806	8%
2	560	Vaginal delivery	46,743	6%
3	720	Septicemia & disseminated infections	32,772	4%
4	194	Heart failure	23,670	3%
5	540	Cesarean delivery	21,807	3%
6	139	Other pneumonia	18,771	2%
7	140	Chronic obstructive pulmonary disease	16,883	2%
8	302	Knee joint replacement	16,730	2%
9	301	Hip joint replacement	13,924	2%
10	383	Cellulitis & other bacterial skin infections	13,515	2%
		All Other	542,789	67%
		Total Discharges	808,410	100%

Data Source: Hospital Discharge Database (HDD)

Note: Total Discharges reported by hospitals in the HDD may vary from total discharges reported by hospitals in the Hospital Cost Reports. See the technical appendix for more information.

*Discharge data does not include the acute care Kindred hospitals.

Median Occupancy Rates by Cohort

Occupancy rates, which show what percent of a hospital's staffed beds were filled over the course of the year, have increased statewide from a median 65% in FY2014 to 67% in FY2015. Academic Medical Centers (AMCs) continued to have the highest median occupancy rate, with a median of 82% in FY2015.

Median occupancy rates increased for Academic Medical Centers and specialty hospitals between FY2014 and FY2015, while median occupancy rates remained the same for teaching hospitals, community hospitals, and community-High Public Payer (community-HPP) hospitals.

	FY2014 Occupancy Rate	FY2015 Occupancy Rate
Academic Medical Center	80%	82%
Teaching Hospital	71%	71%
Community Hospital	65%	65%
Community-High Public Payer	63%	63%
Specialty Hospital	64%	67%

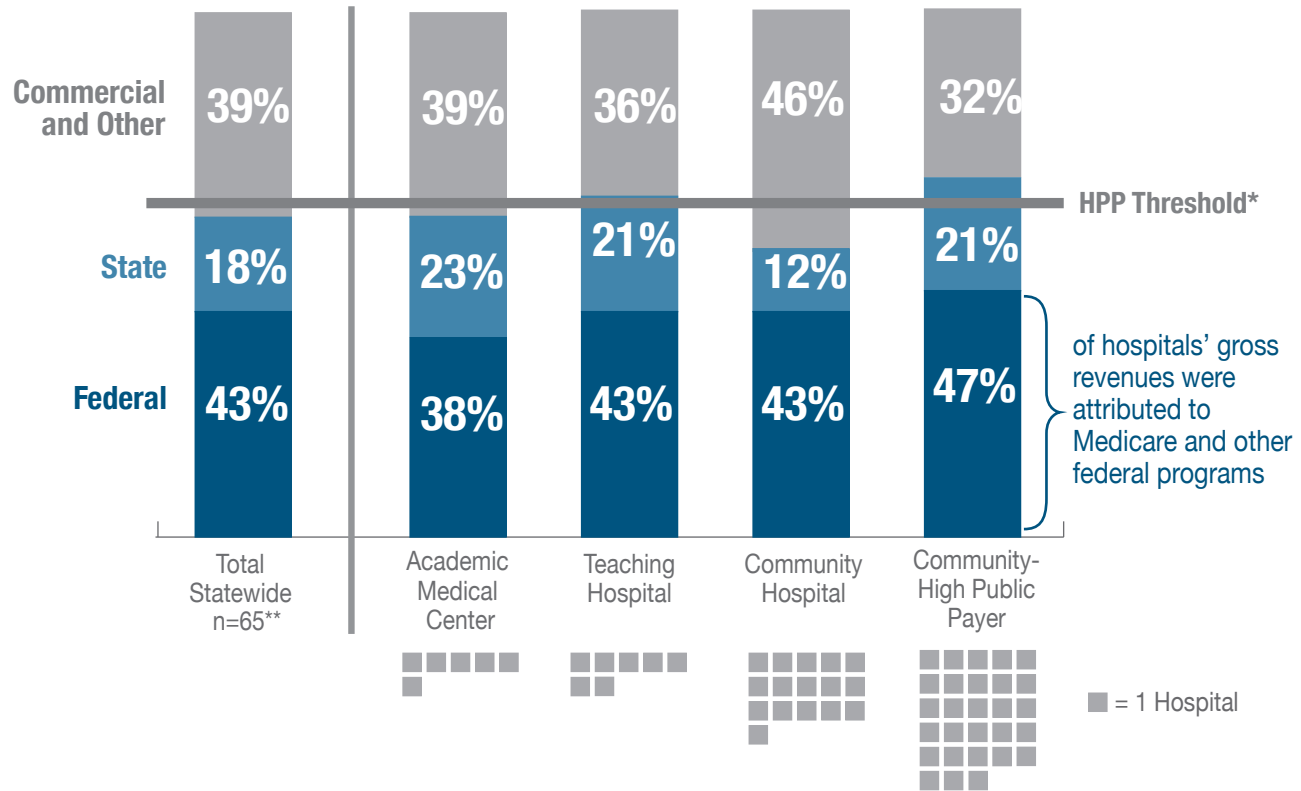
Data Source: Hospital Cost Reports

PAYER MIX

FY2015 Payer Mix

There were no significant changes in hospital payer mix statistics between FY2014 and FY2015. In FY2015, 61% of acute hospital gross revenue statewide was attributed to public payers, including Medicare, Medicaid, and other programs. Community hospitals had the lowest proportion of public payer revenue, of 55%. By definition, community-High Public Payer hospitals are more dependent on public payers, which accounted for 68% of their gross revenue in FY2015.

Other than community-HPP hospitals, teaching hospitals had the second highest share of public payer revenue.



Data Source: Hospital Cost Reports

* Hospitals have High Public Payer (HPP) status if they have 63% or more of gross revenues (GPSR) attributable to Medicare, Medicaid, and other government payers, including the Health Safety Net.

** Statewide Total includes Specialty Hospitals.

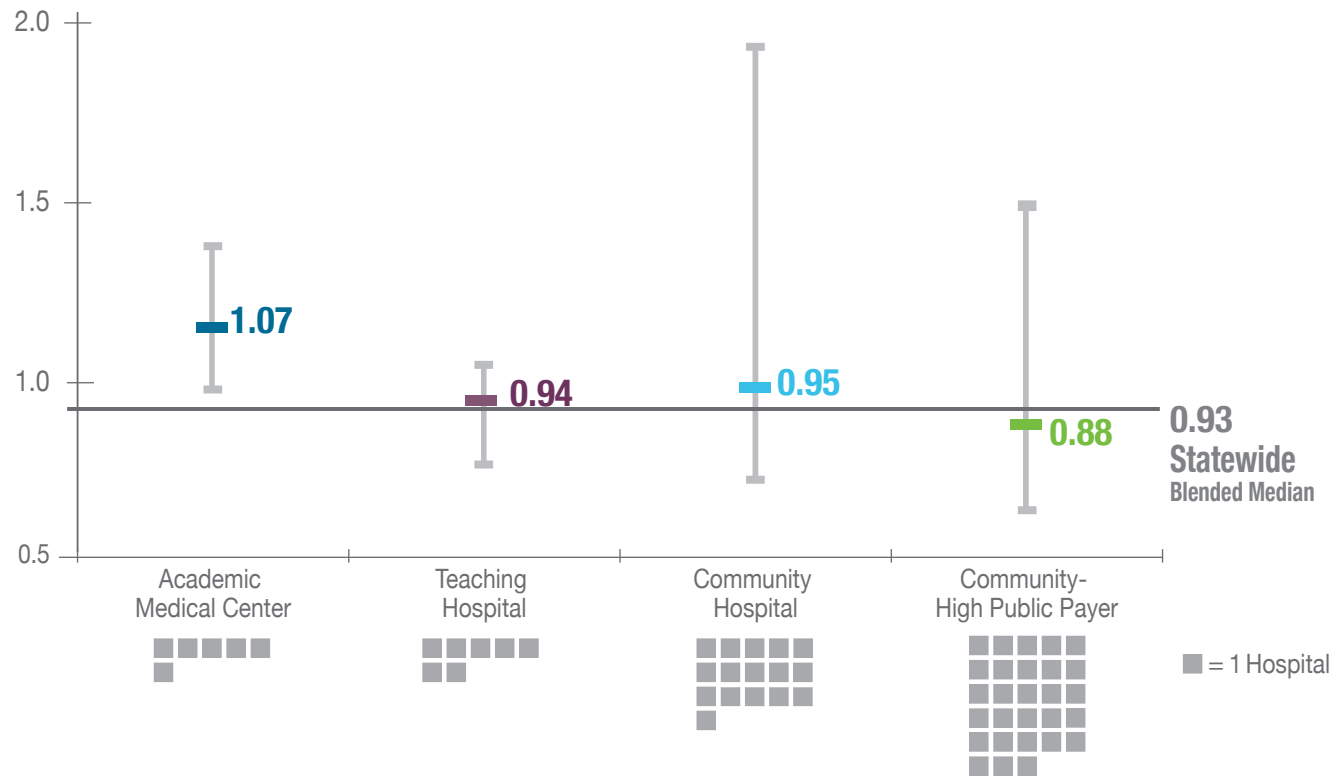
RELATIVE PRICE

Acute Hospital Statewide Relative Price, by Hospital Cohort, CY2015

Statewide relative prices varied across hospital cohorts. Notably, AMCs had the highest median statewide relative price and all AMCs had statewide relative prices that exceeded the statewide median. Community hospitals had the highest variation of statewide relative prices within a cohort though much of the variation was driven by high relative prices at a small number of geographically isolated hospitals.

This is the first year that statewide relative price data is being included in the hospital profiles. CHIA is required to calculate a statewide relative price metric pursuant to M.G.L. c. 29, § 2TTTT. Data presented here is only for the commercial insurance market. Additional information on CHIA's methodology for calculating statewide relative price can be found here: <http://www.chiamass.gov/relative-price-and-provider-price-variation>.

Academic Medical Centers were paid the highest median prices relative to hospitals in other cohorts.



Data Source: Payer Relative Price Filings

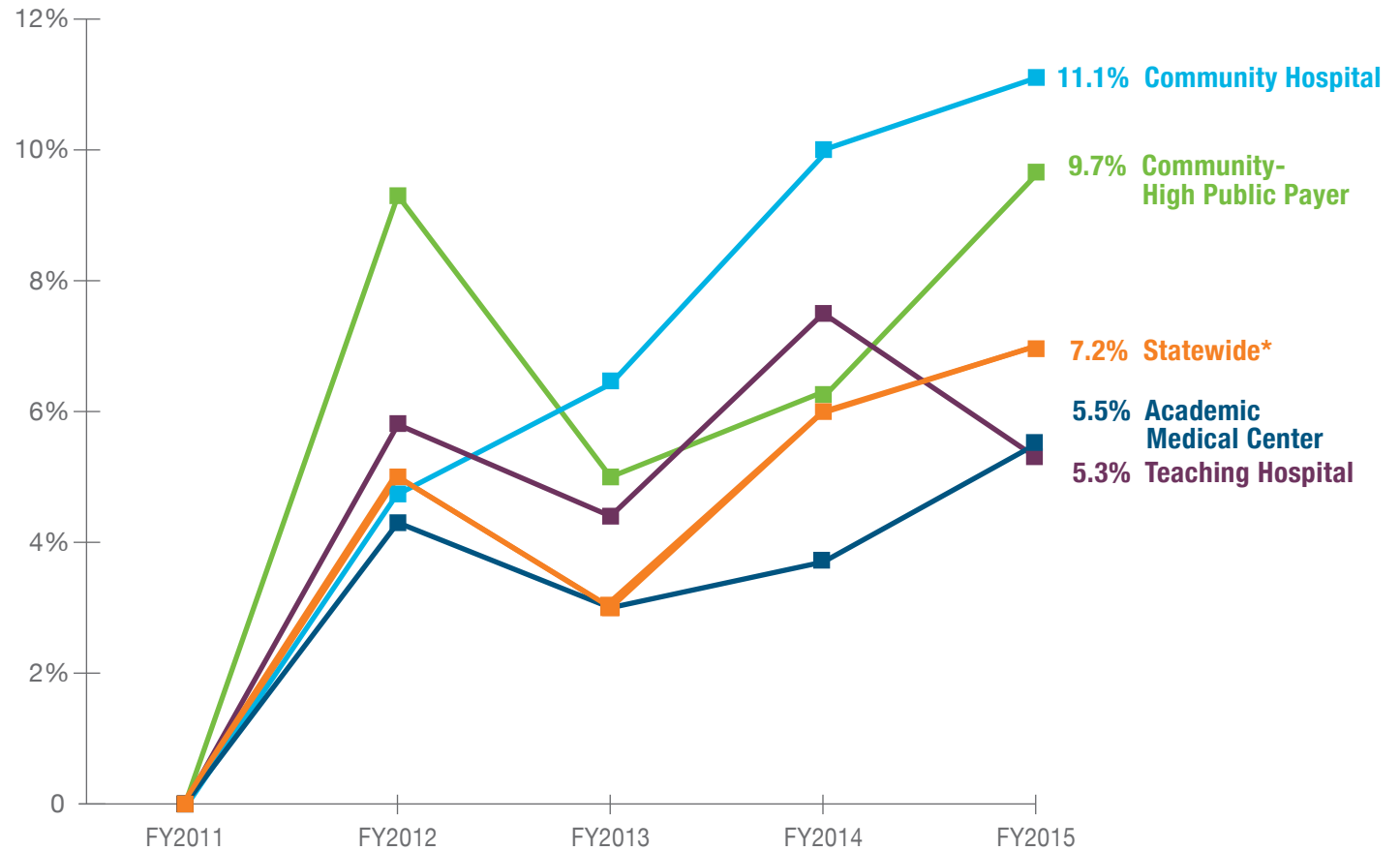
*Specialty hospitals are not displayed, but are included in the statewide median.

REVENUE

Growth in Inpatient Revenue per CMAD, FY2011-FY2015

Inpatient Revenue per Case Mix Adjusted Discharge (CMAD) increased statewide between FY2011 and FY2015. The community hospital cohort had the largest growth during this five year period, increasing 11.1%. The community-High Public Payer hospitals also experienced higher than statewide growth, seeing an average increase in inpatient revenue per discharge of 9.7%.

The community hospital cohort experienced the greatest growth between FY2011 and FY2015.



Data Source: Hospital Cost Reports

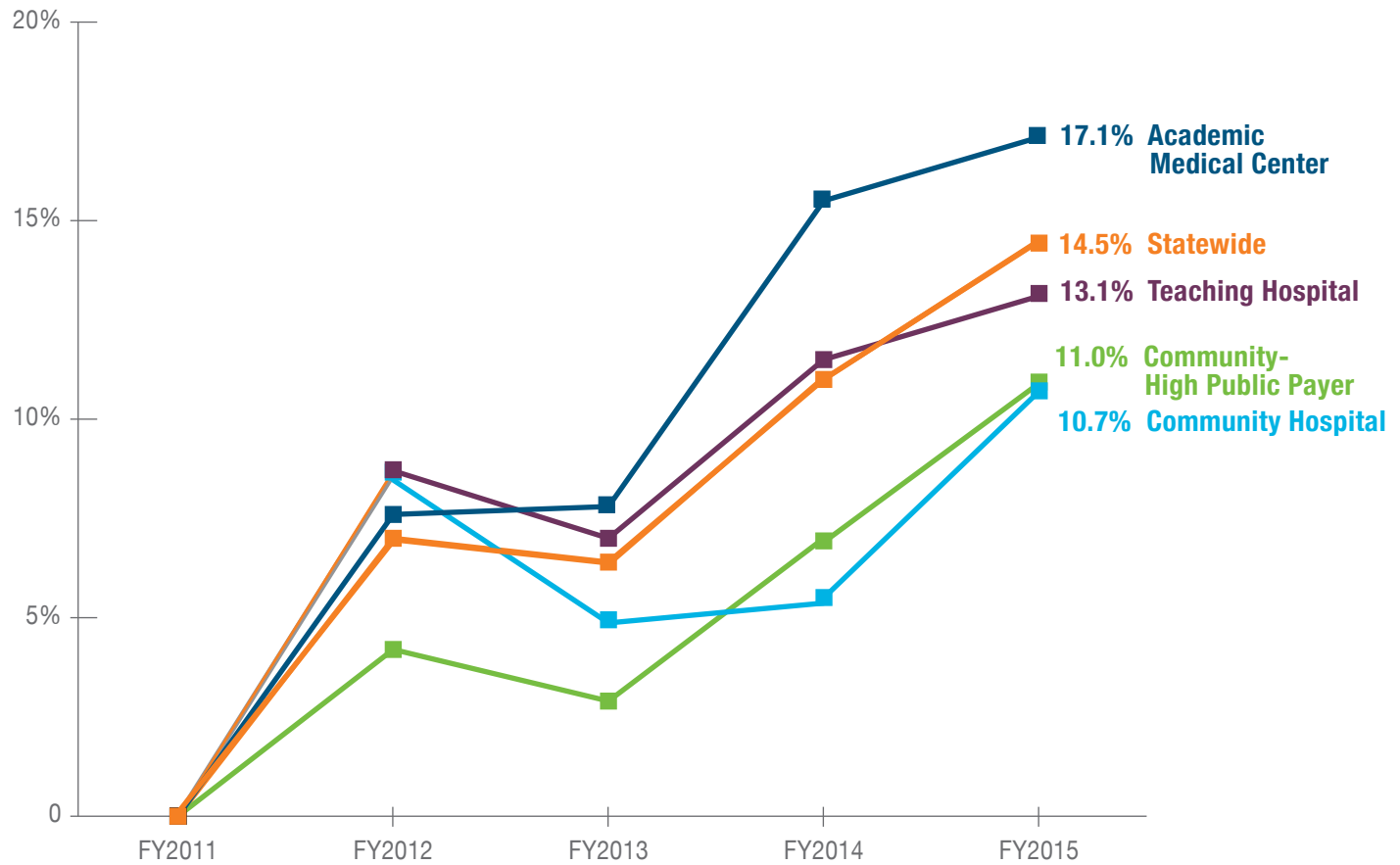
* Statewide data includes Specialty hospitals.

REVENUE

Growth in Outpatient Revenue, FY2011-FY2015

Similar to inpatient revenue trends, outpatient revenue increased for all cohorts from FY2011. Academic Medical Centers saw the largest increase, experiencing a median 17.1% growth in outpatient revenue. Community hospitals had the lowest rate of growth, but still saw an increase of 10.7% between FY2011 and FY2015.

The community-High Public Payer cohort experienced the greatest growth between FY2011 and FY2015.



Data Source: Hospital Cost Reports

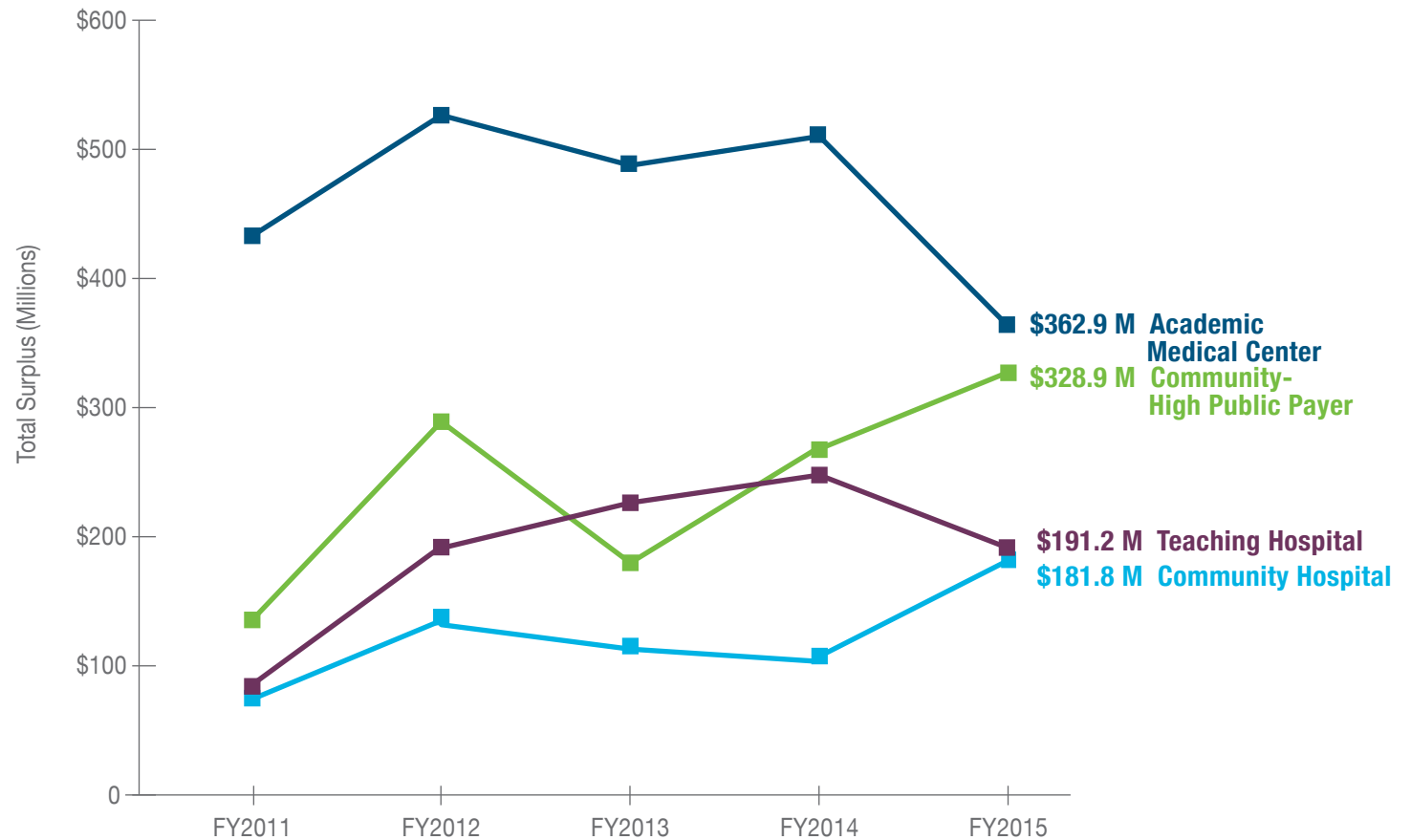
* Statewide data includes Specialty hospitals.

FINANCIAL PERFORMANCE

FY2015 Surplus by Cohort

In FY2015, the six AMCs had the largest surplus, reporting a combined \$362.9 million in profit. This is lower, however, than their performance in the previous four fiscal years. The community-HPP hospital cohort experienced the largest increase over the five year period, from a combined surplus of \$135.5 million in FY2011 to \$328.9 million in FY2015.

Academic Medical Centers collectively had the largest surplus in absolute dollars every year from FY2011 to FY2015.



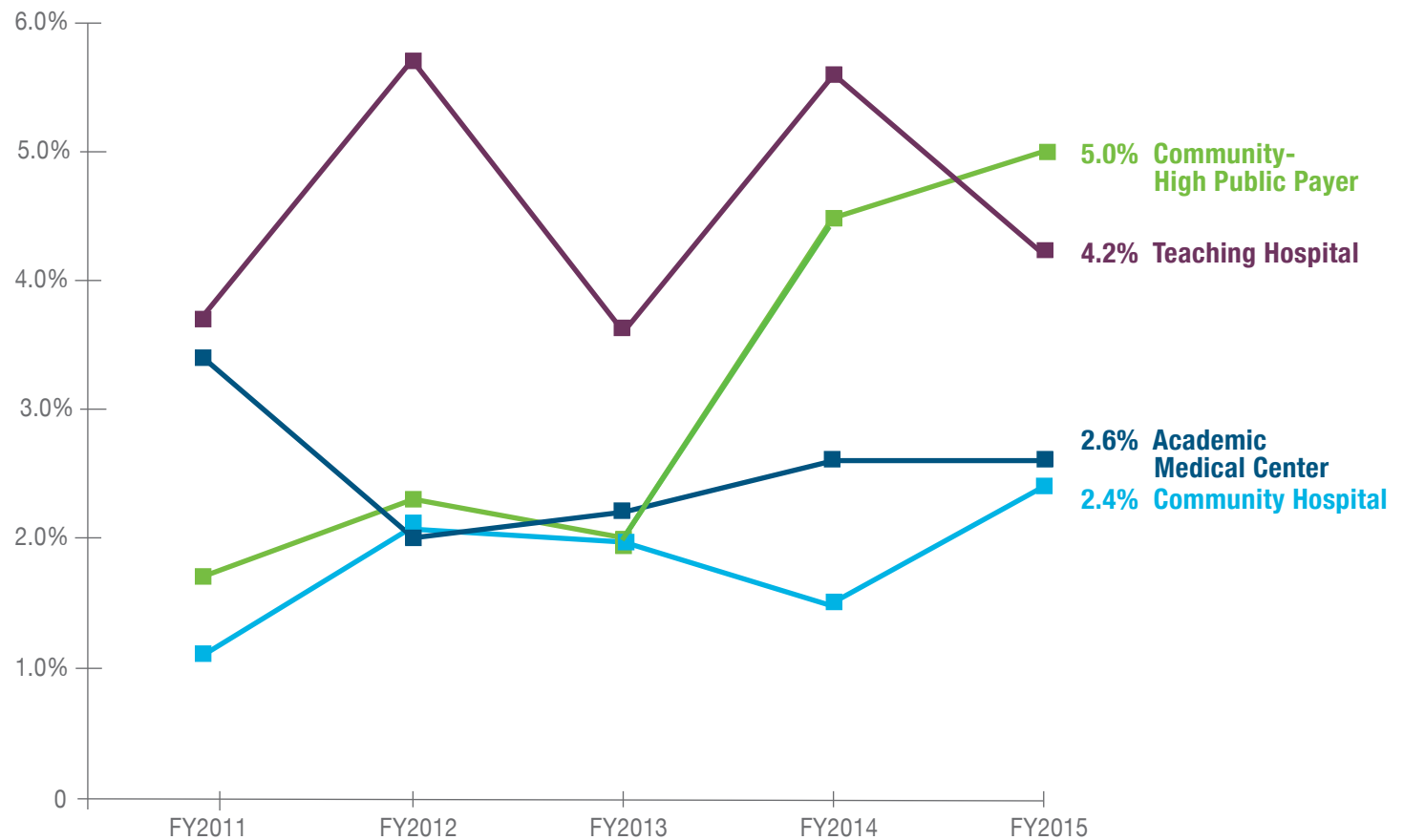
Data Source: Hospital Standardized Financial Statements

FINANCIAL PERFORMANCE

FY2015 Median Operating Margin

The community-High Public Payer hospital cohort had the highest median operating margin in FY2015 at 5.0%. Over the previous four fiscal years of FY2011–FY2014, teaching hospitals were consistently the highest among cohorts, with margins of 5.7% in FY2012 and 5.6% in FY2014. The community and community-HPP hospital cohorts experienced increases in median operating margin from FY2014 to FY2015. The median operating margin for AMCs was consistent between FY2014 and FY2015 and has increased steadily over the past four fiscal years, but remained lower than their FY2011 median operating margin.

The community-High Public Payer cohort had the highest operating margin in FY2015 at 5.0%.



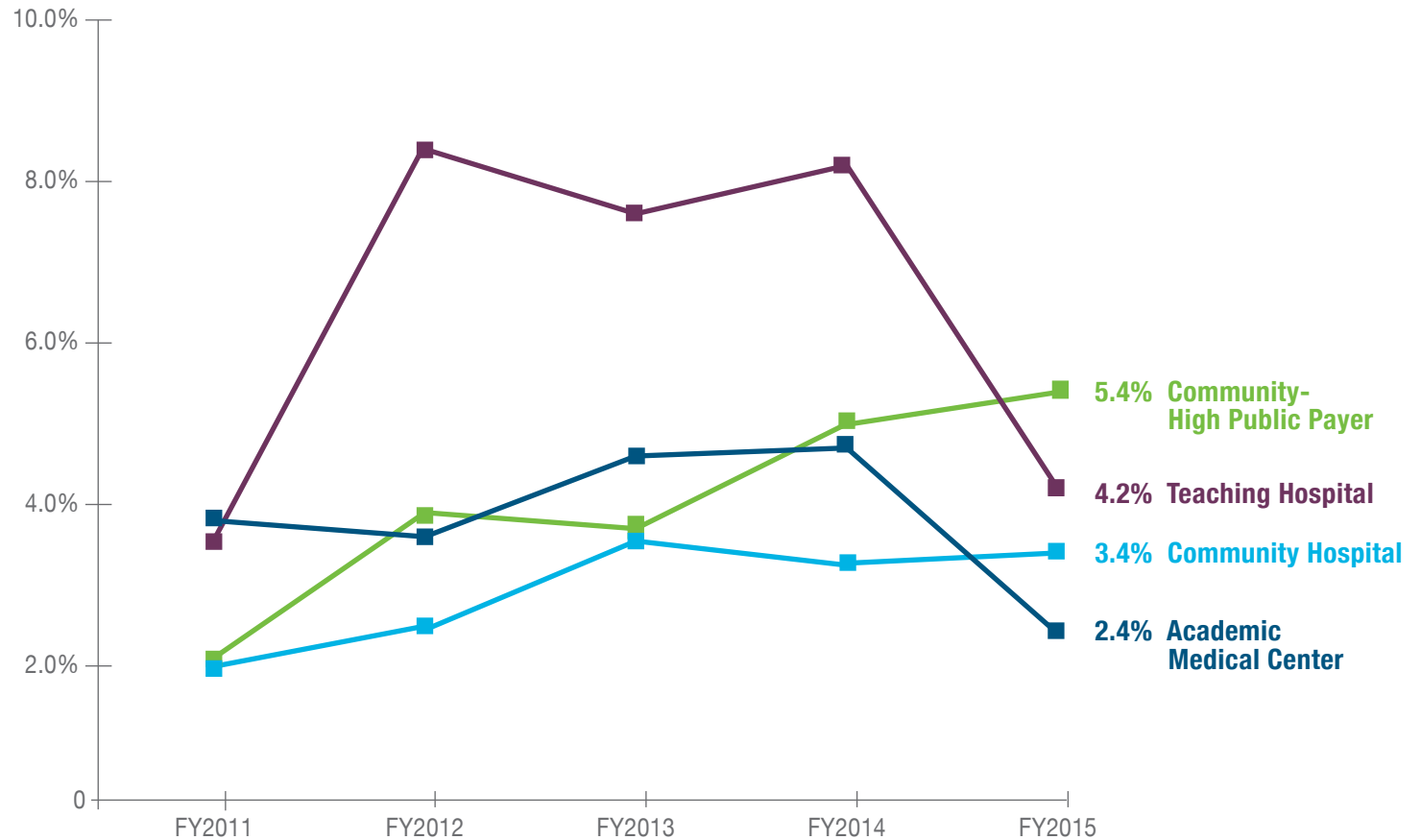
Data Source: Hospital Standardized Financial Statements

FINANCIAL PERFORMANCE

FY2015 Median Total Margin

Similar to trends in operating margin, the community-High Public Payer cohort had the highest median total margin in FY2015, of 5.4%. The teaching hospital cohort experienced a significant decrease in total margin from 8.2% in FY2014 to 4.2% in FY2015. AMCs saw a similar decrease in the one year period, declining from a median of 4.7% in FY2014 to 2.4% in FY2015. Community hospitals have been consistent over the five year period of FY2011-FY2015; the cohort saw a 3.4% median total margin in FY2015.

The community-High Public Payer cohort had the highest total margin in FY2015 at 5.4%.



Data Source: Hospital Standardized Financial Statements



For more information, please contact:

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