114.1 CMR 42.00: HOSPITAL FINANCIAL REPORTS

Section

42.01: General Provisions

(1) Scope and Purpose. 114.1 CMR 42.00 governs the financial reporting requirements for acute and non-acute hospitals, including annual cost reports, charge books, quarterly filing requirements, and the uniform reporting of inpatient and outpatient costs, including direct and indirect costs. Filing requirements for acute hospital case mix and charge data are governed by 114.1 CMR 17.00. Filing requirements for acute hospital health safety net claims are governed by 114.6 CMR 13.00 and 14.00.

(2) Authority. 114.1 CMR 42.00 is adopted pursuant to M.G.L. 118G.

(3) Effective Date. 114.1 CMR 42.00 is effective on February 15, 2011.

42.02: Definitions

Meaning of Terms. As used in 114.1 CMR 42.00, unless the context requires otherwise, the following terms shall have the following meanings. All defined terms in 114.1 CMR 42.00 are capitalized.

Academic Costs. The costs associated with administering overall medical staff activities (medical staff - admin); the costs of teaching interns and residents (medical staff - teaching); and the costs of post-graduate medical education, in accordance with current DHCFP-403 reporting. In addition, the costs of nursing, allied health, and undergraduate medical education are also included.

Acute Hospital. A hospital licensed under M.G.L. c. 111, § 51 which contains a majority of medical surgical, pediatric, obstetric, and maternity beds, as defined by the Department of Public Health.

Advertising and Marketing. Expenses relating to attracting patients to the hospital or health system, including, but not limited to, preparation and distribution of advertisements.

Annual Cost Report. The Hospital Statement of Costs, Revenues, and Statistics (DHCFP 403).

Audited Financial Statements. Financial Statements of an entity that are subject to an independent audit in accordance with Generally Accepted Auditing Standard (GAAS). The independent auditor issues a report that expresses an opinion whether or not the accompanying financial statements are presented fairly in accordance with Generally Accepted Accounting Principles (GAAP).

Bad Debt. The annual cost of the provision (estimate) and write-off (exact cost) of revenue for which the hospital is unable to collect payment, as currently reported on the DHCFP-403.

Charge. The uniform price for each specific service within a revenue center of a hospital.

42.02: continued

Charitable Contributions. Cash or non-cash donations to an unaffiliated organization which is designated as a 501c(3) non-profit, or government entity, and which is organized for charitable, religious, educational, health, or other good works. Also includes service provided to patients as charity care for whom the hospital has agreed not to bill any person or payer. Charitable contributions do not include contractual services, payments in lieu of taxes, the Division's annual assessment, the Health Safety Net Assessment, discounts on services rendered, denied claims, bad debt or patient cost sharing.

Data Specification Manual. The Data Specification Manual contains submission requirements for supplemental reporting, including, but not limited to, required fields, file layouts, file components, edit specifications, and other technical specifications.

Debt Service. Annual payments of interest and principal on total outstanding debt.

Depreciation. The annual cost of depreciation expenses, assuming the assets lose an equal amount of value each year (straight-line definition), as currently reported on DHCFP-403

Direct Labor. The annual cost of salaries, wages and fringe benefits for hospital employees, including physician employees, as current reported on the DHCFP-403.

Division. The Division of Health Care Finance and Policy (DHCFP) of the Executive Office of Health and Human Services, created pursuant to M.G.L. c.118G.

Fundraising and Development. Expenses related to activities undertaken to induce potential donors to contribute money, assets or services.

Health Information Technology Expenses. Direct costs, including personnel costs, operating costs and depreciation associated with hardware and software related to the patient care technology systems that provide the framework for comprehensive management of health information and its secure exchange between consumers, providers, government and quality entities, and insurers. It includes electronic medical records (EMR); clinical decision support (CDS); computerized physician order entry (CPOE); bar-coding at medication dispensing (BarD); robot for medication dispensing (ROBOT); automated dispensing machines (ADM); administration of EMR, bar-coding at medication administration (Bar-A); electronic health record (EHR), and any other point of care technology systems. The definition excludes general administrative cost systems, including, but not limited to, payroll, financial reporting, claims adjudication, and cost reporting.

Hospital Licensed Health Center. A satellite clinic that:

(a) meets MassHealth requirements for payment as a hospital licensed health center as set forth in 130 CMR 410.413; and

(b) is approved by and enrolled with MassHealth's Provider Enrollment Unit as a hospital licensed health center.

Hospital Uniform Reporting Manual (HURM). The Manual incorporated by 114.1 CMR 42.10 that sets forth the Division's requirements for uniform reporting of income, expenses and statistics on a functional basis. Such functional reporting permits comparisons among hospitals with varied organizational structures.

Malpractice Insurance. The annual costs of premium payments for malpractice insurance and self-funded costs for malpractice liabilities, as currently reported on the DHCFP-403.

MassHealth. The Medical Assistance Program administered by the Executive Office of Health and Human Services, Office of Medicaid, to furnish and pay for medical services pursuant to M.G.L. c. 118E and Titles XIX and XXI of the Social Security Act.

Medical Management Expenses. Direct expenses associated with providing an integrated care coordination delivery system intended to support an individual's health care needs across a continuum of care, including, but not limited to, direct costs of case managers, discharge planners, social workers, and interpreters.

42.02: continued

Net Annual Transfers. The net amount of transfers between and among the hospital, its related physician organization, and other affiliated entities, including, but not limited to, transfers reported on the hospital's or physicians' organization balance sheet and the Changes in Net Assets on the hospital's or physicians' organization Statement of Operations.

Net Patient Service Revenue. Total established charges for individual services less contractual adjustments.

Non-acute Hospital. A hospital which is defined and licensed under M.G.L. c. 111, § 51, with less than a majority of medical-surgical, pediatric, maternity and obstetric beds, or any psychiatric facility licensed under M.G.L. c. 19, § 19, or any public health care facility.

Non-affiliated Medical Service Contracts. Contractual relationships with providers, such as physicians' groups, laboratories, or imaging centers, not affiliated with the reporting hospital.

Research. Formal and/or grant-funded research studies intended to further the scientific knowledge of diagnosis, treatment, cure and prevention of physical or mental disease, injury or deformity, relief of pain, and improvement and preservation of health.

SPAD. The Standard Payment Amount per Discharge paid by Medicaid to acute hospitals for covered inpatient services.

Stop-loss Insurance. Insurance coverage purchased to limit hospital losses for malpractice claims, capitation, and employee health insurance claims.

42.03: General Reporting Requirements

(1) Required Reports. Each acute and non-acute hospital shall file with the Division, for each fiscal year, the following documents:

(a) an Annual Cost Report (DHCFP-403) in accordance with 114.1 CMR 42.04. Each acute hospital shall file an Annual Cost Report by February 1st of each year for the period from October 1st through September 30th. Each non-acute hospital shall file an Annual Cost Report within 120 days after the end of its fiscal year. Each hospital shall file one electronic copy in accordance with the Division's specifications.

(b) Each hospital shall file one copy of its audited financial statements in portable document format within 100 days after the end of its fiscal year. Each hospital with a parent company must also file a copy its consolidated financial statements in portable document format at the level of the ultimate parent organization. Consolidated or combined financial statements may not be substituted for audited financial statements of the subsidiary hospital. If an independent audit occurs only at the consolidated level, the subsidiary hospital must file internal financial statements. These financial statements must be accompanied by a signed statement by the parent organization's chief financial officer attesting that the information contained in the report fairly represents, in all material respects, the financial condition and result of operations of the subsidiary hospital, and that the statements are a fair representation of the endowments, reserves, cash flows and general viability of the subsidiary hospital.

(c) Each hospital shall file one copy of its Medicare 2552 Cost Report, including any Home Office Cost Reports in portable document format within 120 days after the end of its fiscal year.

(d) Charge Books. Each hospital shall file with the Division one electronic copy of its charge book at the beginning of each fiscal year and within 30 days following each quarter in which charges are changed. Such charge book shall contain the charges in effect on the last day of said quarter. Each charge book shall be accompanied by a statement from the hospital detailing charge modifications implemented after the last filing.

42.03: continued

(e) Hospital Licensed Health Centers. Each hospital with one or more Hospital Licensed Health Centers shall file a separate Hospital Licensed Health Center Cost Report for each center within 120 days after the end of its fiscal year. The Hospital Licensed Health Center Cost Report must be completed in accordance with the Cost Report instructions and any pertinent administrative bulletins issued by the Division. Each hospital shall file one electronic copy of the Hospital Licensed Health Center Cost Report in accordance with the Division's specifications.

(f) Supplemental Cost Report. Each acute hospital shall submit by February 1st of each year supplemental cost reports as specified in 114.1 CMR 42.04. Non-acute hospitals must submit cost reports within 20 days following the hospital's fiscal year end.

(2) Each hospital shall make available all books and records relating to its operations for the audit period, as requested by the Division. Each hospital shall submit all cost information requested by the Division, including information the Division determines is necessary to document reported costs, monitor the hospital's financial condition, or calculate Medicaid or Health Safety Net payments.

(3) Each hospital's chief executive officer or chief financial officer shall certify under pains and penalties of perjury that all reports, schedules, reporting forms, budget information, books and records filed with the Division are true, correct and accurate. Each hospital shall file this certification in portable document format.

(4) Each hospital shall submit documentation requested by the Division within 15 business days from the date of the request, unless a different time is specified. The Division may, for cause, extend the filing date of the requested information, in response to a written request for an extension of time.

(5) All financial data submitted to the Division in required reports must be in accordance with current Generally Accepted Accounting Principles (GAAP) as issued by the Financial Accounting Standards Board (FASB), or other appropriate accounting standards given the organization's governance such as the Government Accounting Standards Board (GASB) as well as general industry practice, as evidenced in the American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guides of Healthcare Organizations and Not-for-profit Organizations.

42.04: Hospital Cost Reporting

(1) General Requirements. Each hospital's Annual Cost Report shall be completed in accordance with 114.1 CMR 42.04, the Cost Report Instructions, the HURM Manual, the Data Specifications Manual, and any pertinent administrative bulletins issued by the Division. Each hospital shall report information required under 114.1 CMR 42.04 (2) and (3) in a format to be specified by the Division via the Data Specification Manual (DSM).

(2) Method of Reporting Inpatient and Outpatient Costs. Each hospital shall separately identify expenses for the following expense categories:

(a) Academic Costs.
1. Medical staff (teaching)
2. Medical Staff (administration)
3. Post-graduate medical education
4. Nursing education
5. Allied health education
6. Undergraduate medical education

(b) Advertising and Marketing.
(c) Bad Debt.
(d) Board Designated -Assets by type category of board designation
(e) Charitable Contributions
(f) Debt Service
(g) Depreciation
(h) Direct Labor

42.04: continued

(i) Fundraising and Development
(j) Health Information Technology
(k) Malpractice Insurance.
1. Each hospital must separate malpractice stop-loss policies from self-insured expenses and other purchase policies.
2. All reported malpractice expenses must be paid within 75 days of the end of the fiscal year. Each hospital must submit documentation of payment in portable document format.
(l) Medical Management
(m) Net Annual Transfers
(n) Non-affiliated Medical Service Contracts
(o) Research
(p) Stop-loss Insurance. Each hospital must separately report stop-loss insurance for professional, provider and other insurance.

(3) Due Dates.
(a) Annual Reports: Acute hospitals shall report supplemental hospital cost information for all cost requirements outlined in 114.1 CMR 42.04(2) for the previous fiscal year by February 1st. Non-acute hospitals must submit this data within 120 days following the hospital's fiscal year end.
(b) Initial Filing: Hospitals shall file Board Designated Assets by category of board designation and Net Annual Transfers data for Hospital Fiscal Year 2010 by March 31, 2011. Non-acute hospitals shall file this data within 120 days following the hospital's fiscal year end.

42.05: Acute Hospital Financial Reports

(1) General Requirements. Each acute hospital shall file Financial Reports to report financial data, information on changes in services, and utilization data as required by the Division. Each hospital shall submit the required Financial Reports via the Division's website in accordance with the Division's forms, instructions or administrative bulletins.
(a) Financial Data. The financial data shall include, but not be limited to, a balance sheet, a statement of operations, and a cash flow statement. At the option of the hospital, footnotes related to any portion of the financial statements may be included. The statement of operations and the cash flow statement shall reflect cumulative year-to-date data for the most recent fiscal year that ended on or prior to the filing deadline. The Financial Reports shall make an accurate representation of the hospital's financial condition including endowments, reserves, and cash flow. The Division may request additional information regarding the fiscal condition of the hospital, if necessary.
(b) Additional Information/Comment. The hospital may choose to disclose information to explain or clarify the data presented or provide users with information that might not be evident by the financial statements alone.

(2) Quarterly Reports. Each acute hospital shall file a Quarterly Report for the first three quarters of the fiscal year within 45 days after the end of each quarter. In the Quarterly Report, hospitals shall report cumulative year-to-date financial information ending with the most recently completed fiscal quarter. The Quarterly Reports shall also include information on changes in services, and utilization statistics. The Division shall require the hospital to include monthly statistics on beds, days and discharges. The utilization statistics will reflect only activity during the time period covered by the Report and will not be cumulative. A hospital may request an opportunity to make adjustments to a filed Quarterly Report within 20 days after the filing deadline. Such request must include an explanation of the proposed changes. The Division may post on its website the name of any hospital that fails to meet the filing deadline or fails to file required data. The Division will note on the website if it has approved a hospital's request for an extension of the filing date.

42.05: continued

(3) Annual Financial Report. Each hospital shall file an Annual Financial Report within 100 days of the end of its fiscal year. This Report shall contain cumulative 12-month financial data ending with the fourth quarter. Each hospital must report all audit adjustments that were either self-initiated or initiated by the independent auditors as reflected in the audited financial statements for that fiscal year. For subsidiary hospitals with no hospital-only audited financial statements, the Annual Financial Report must reflect all adjustments made to the internal financial statements attested to by the chief financial officer pursuant to 114.1 CMR 42.01(2). If the data in the Annual Financial Report differs from the hospital's audited financial statements, the hospital must file text reconciliations via the Division's website. Hospitals must report any subsequent changes to its audited financial statements. If there is an audit adjustment that occurs more than 100 days after then end of the fiscal year, such audit adjustment may not affect the hospital's MassHealth or Uncompensated Care Pool payment calculations. Each hospital must also report information on changes in services, and utilization statistics for the fourth quarter of the fiscal year, including monthly statistics on beds, days and discharges. The utilization statistics will reflect only activity during the fourth quarter of the fiscal year and will not be cumulative.

(4) Review Period. The Financial Reports will be under review for a period of 20 days following the filing date. The Financial Reports will be available for public release electronically or otherwise following this review period. During the review period, the Division may share information with the Attorney General's Office, the Department of Public Health, and other similar oversight organizations and agencies, provided that any such entity with which the information is share shall agree to treat it on the same confidential basis as does the Division pursuant to 114.1 CMR 42.00.

42.06: Audit by Division

(1) General. All information provided by, or required from, any hospital pursuant to 114.1 CMR 42.00 shall be subject to audit by the Division.

(2) Processing of Audit Adjustments.

(a) Notification. After audit, the Division shall notify a hospital of its proposed audit adjustments. The notification shall be in writing and shall contain a complete listing of all proposed adjustments.

(b) Objection Process.

1. A hospital may file a written objection to a proposed audit adjustment within 15 business days of the mailing of the notification letter.
2. The written objection must, at a minimum, specify:
   a. each adjustment to which the hospital objects,
   b. the specific reason for each objection; and
   c. all documentation which supports the hospital's position.
3. Upon review of the hospital's objections, the Division shall notify the hospital of its determination in writing. If the Division disagrees with the hospital's objections, in whole or in part, the Division shall provide the hospital with an explanation of its reasoning.
4. The hospital may request a conference on objections after receiving the Division's explanation of reasons. The Division shall schedule such conference on objections if it determines that further articulation of the hospital's position would promote resolution of the disputed adjustments. If a resolution is still not reached, the Division may schedule an audit adjustment dispute hearing.

42.07: Compliance

(1) Adjustment of Medicaid Rate. If a hospital does not comply with the reporting requirements of 114.1 CMR 42.00, the hospital's Medicaid payment rate may be reduced. For non-acute hospitals, the Medicaid inpatient per diem will be reduced. For acute hospitals, the SPAD payment will be reduced. The Division will notify the Executive Office of Health and Human Services to reduce the hospital's Medicaid payment rate in accordance with the terms of its contract with the hospital to provide services to Medicaid patients.

42.07: continued

(2) Calculation of Adjustment. If a hospital fails to comply with the Division's reporting requirements under 114.1 CMR 42.00, the hospital's rate may be reduced by 5%, effective on the day following the date the submission is due. The rate shall be reduced by the same dollar amount for each month of non-compliance. This adjustment shall not, in any case, exceed 50% of the hospital's Medicaid payment rate. If a hospital has not submitted the complete documentation at the time the hospital's rate is subject to change (*i.e.*, at the start of a new rate year, or upon commencement of an amendment that affects the SPAD rate), the hospital's new rate cannot exceed the adjusted current rate. If, however, the new SPAD rate is less than the rate currently in effect, then the new rate will become effective and potentially subject to further adjustment.

(3) Other Penalties. A hospital that makes a charge or accepts payment based upon a charge in excess of that filed with the Division or which fails to file any data, statistics, schedules, or other information pursuant to 114.1 CMR 42.00 or that files false information, shall be subject to a civil penalty of not more than $1000 for each day on which such violation occurs or continues, which penalty pursuant to M.G.L. c. 118G, § 10. Such penalty shall be $1,000 for each day on which such violation occurs or continues, and may be assessed in an action brought on behalf of the Commonwealth in any court of competent jurisdiction. The Division may also request the Attorney General to bring an action, including injunctive relief, to enforce the provisions of 114.1 CMR 42.00.

42.08: Administrative Bulletins

The Division may issue administrative bulletins from time to time to clarify or change reporting requirements under 114.1. CMR 42.00 including, but not limited to, changes in required data to remain current with accounting standards and practices, as well as new utilization statistics.

42.09: HURM Manual

The HURM Manual is incorporated into 114.1 CMR 42.00. The HURM Manual will not be appended to distribution copies of 114.1 CMR 42.00 but will be posted on the Division's website at www.mass.gov/dhcfp.

42.10: Severability

The provisions of 114.1 CMR 42.00 are hereby declared to be severable. If any such provisions or the application of such provisions to any hospital or circumstances shall be held to be invalid or unconstitutional, such invalidity shall not be construed to affect the validity or constitutionality of any of the remaining provisions of 114.1 CMR 42.00 or the application of such provisions to hospitals or circumstances other than those held invalid.

REGULATORY AUTHORITY

114.1 CMR 42.00: M.G.L. 118G.

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