

## 957 CMR: CENTER FOR HEALTH INFORMATION AND ANALYSIS

### 957 CMR 9.00 – FINANCIAL DATA REPORTING REQUIREMENTS FOR HEALTH CARE ENTITIES AND AFFILIATED ENTITIES

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#### 9.01: General Provisions

- (1) Scope and Purpose. 957 CMR 9.00 governs the financial reporting requirements for Health Care Entities and Affiliated Entities for the submissions of hospital cost reports, charge books, quarterly and annual financial data filings, and other such information and data as the Center may require.
- (2) Applicability. 957 CMR 9.00 applies to Health Care Entities and Affiliated Entities, as defined in section 9.02.
- (3) Authority. This regulation is issued pursuant to M.G.L. c. 12C, including but not limited to, §§ 3, 5, 8, and 11.

#### 9.02: Definitions

All defined terms in 957 CMR 9.00 are capitalized. Any other term used in this regulation but not defined herein shall have the meaning given to the term by M.G.L. c. 12C, other CHIA regulations, or Sub-Regulatory Guidance.

As used in 957 CMR 9.00, unless the context requires otherwise, the following terms shall have the following meanings:

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, and the teaching hospital of the University of Massachusetts Medical School.

Adjudicatory Proceeding. A proceeding before an agency in which the legal rights, duties or privileges of specifically named persons or entities are required by constitutional right or by any provision of the General Laws to be determined after an opportunity for an agency hearing.

Affiliated Entity. A person or entity that is not a Health Care Entity that owns, Controls, is Controlled by, or is under common Control with a Health Care Entity; or that has a material financial relationship with a Health Care Entity that affects the Health Care Entity's delivery of health care services. Affiliated Entities include but are not limited to Significant Equity Investors, Realty Entities, and Management Services Organizations. A person or entity will not be deemed to be an Affiliated Entity solely by reason of having a contract for non-management services (such as legal or accounting services) with a Health Care Entity.

Audited Financial Statements. A complete set of financial statements of an entity, including the notes to the financial statements, which are subject to an independent audit in accordance with Generally Accepted Auditing Standards (GAAS). The independent auditor issues an opinion as to whether or not the accompanying financial statements are presented fairly in accordance with Generally Accepted Accounting Principles (GAAP).

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

CHIA or Center. The Center for Health Information and Analysis established under M.G.L. c. 12C.

CMS. The federal Centers for Medicare & Medicaid Services.

Consolidated Entity. A group of entities that includes a parent and all its subsidiaries presented as those of a single economic entity.

Consolidating Schedule. A document that accompanies the consolidated Audited Financial Statements, which includes detailed financial statements of subsidiary Hospital(s) and the other organizations that comprise the consolidated entity.

Control. The possession, direct or indirect, of the power, partial or complete, to direct or cause the direction of the management, administrative functions, assets, or and policies of an entity, including a Parent Organization, whether through the ownership of voting securities or rights, the power to appoint, designate, or remove board members or directors, control, either directly or indirectly, by contract (except a commercial contract for goods or non-management services) or otherwise; but no person shall be deemed to possess such control solely by reason of being an officer or director of a health care entity. "Control" shall be deemed to exist if any person or entity directly or indirectly owns, has rights over, or holds with the power to vote ten percent or more of the voting securities of a Health Care Entity. This definition applies to all forms of the word, including "Controls," "Controlling," and "Controlled."

Financial Review. An examination of the Health Care Entity's financial reporting made pursuant to 957 CMR 9.00, including cost reports, financial data, and supporting documentation, to

evaluate the accuracy of the financial statements, reported costs, Affiliated Entity reporting, and any other information submitted to the Center.

Health Care Entity: A Hospital, Physician Organization, Parent Organization subject to the reporting requirements of 957 CMR 9.00.

Health Care Real Estate Investment Trust (Health Care REIT). A real estate investment trust, as defined by 26 U.S.C section 856, whose assets consist of real property held in connection with the use or operations of a Health Care Entity.

Hospital. An Acute Hospital or a Non-acute Hospital.

Hospital Cost Report. The Massachusetts Hospital Statement of Costs, Revenues, and Statistics.

Management Services Organization (MSO). An entity that provides management or administrative services to a Health Care Entity for compensation.

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.

Parent Organization. An entity that has a Controlling financial interest in one or more subsidiaries.

Physician Organization. A medical practice or group of practices comprised of physicians organized to provide patient care services (regardless of its legal form or ownership) that is Controlled by the same Parent Organization as the Hospital.

Presiding Officer. The individual(s) authorized by law or designated by the Center to conduct an Adjudicatory Proceeding.

Private Equity Firm. Any entity that collects capital investments from individuals or entities and purchases, as a parent or through another entity that the firm completely or partially owns or Controls, a direct or indirect ownership share of a Health Care Entity or Management Services Organization; provided, however, that “private equity firm” shall not include venture capital firms exclusively funding startups or other early-stage businesses.

Realty Entity. An entity, however organized, that receives rent or other compensation from a Health Care Entity in exchange for the use of real property, including but not limited to a Health Care REIT.

Reporting Entity. A Health Care Entity or Affiliated Entity subject to the reporting requirements of 957 CMR 9.00.

Significant Equity Investor (SEI). (i) any Private Equity Firm; or (ii) an investor, group of investors or other entity with a direct or indirect possession of equity in the capital, stock or profits totaling more than 10 per cent of a Health Care Entity or Management Services

Organization; provided, however, that “significant equity investor” shall not include venture capital firms exclusively funding startups or other early-stage businesses.

Sub-Regulatory Guidance. An Administrative Bulletin, notice, manual, guide, or other document, including the *Data Submission Guide* or *Data Specification Manual*, that specifies deadlines, technical submission requirements, or contains methodological explanations and examples to facilitate understanding of and compliance with adopted regulations.

### 9.03: Data Submission Procedures

- (1) General. Health Care Entities and Affiliated Entities shall submit data and information to CHIA in accordance with the procedures, deadlines, and schedules provided in 957 CMR 9.00 or Sub-Regulatory Guidance from the Center. In the event a data submission deadline falls on a Saturday, Sunday, or Commonwealth holiday, the data shall be due on the business day immediately thereafter.
- (2) Sub-Regulatory Guidance. CHIA will issue Sub-Regulatory Guidance to clarify its requirements, policies, and procedures under 957 CMR 9.00 and to set forth the required technical information, such as: data file format, record specifications, data elements, definitions, code tables and edit specifications for data and information submitted pursuant to 957 CMR 9.00.

CHIA may also issue Sub-Regulatory Guidance to specify or amend data and information required to be submitted; to specify or amend the procedures for submitting data and information; and to specify or amend the timeframes for submitting data and information.

- (3) Amended Data Submissions. Health Care Entities and Affiliated Entities may amend data submissions, subject to the approval of CHIA, upon notice of the proposed amended data submissions, and the reasons for such changes. Amended data submissions shall be made in accordance with the procedures provided in Sub-Regulatory Guidance.
- (4) Data Review, Verification, and Resubmission. If necessary, Health Care Entities and Affiliated Entities may be required to review, verify, or resubmit certain data and information previously submitted. CHIA will notify Health Care Entities and Affiliated Entities of when such data and information must be reviewed, verified, or resubmitted and will provide to applicable Health Care Entities and Affiliated Entities such health care data and information, or summary reports of such data and information, for review, verification, or resubmission.
- (5) Additional Documentation. The Center may request that Health Care Entities and Affiliated Entities submit additional documentation related to reported data and information through

Sub-Regulatory Guidance or by written request.

- (6) Accuracy. The Health Care Entity or Affiliated Entity (i) certifies that an authorized representative of the Health Care Entity or Affiliated Entity submitted information and data to the Center, and (ii) attests that information and data submitted to the Center is true, correct, and complete.

All financial data submitted to CHIA 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.

- (7) Mergers. Health Care Entities must submit data for newly merged entities in accordance with Sub-Regulatory Guidance. The Health Care Entity must notify CHIA in writing as to any organization ID change or organizational reporting structure changes prior to a data submission.
- (8) Extension Requests. CHIA may grant, for good cause, an extension in time to Health Care Entities and Affiliated Entities to submit health care data and information.
- (9) Notification to Health Policy Commission and Department of Public Health. The Center is required by M.G.L. c. 12C § 11 to notify the Health Policy Commission and the Department of Public Health if a Health Care Entity has failed to timely report required data or information.
- (10) Reporting to Other Massachusetts State Agencies. If a Health Care Entity separately files with another Massachusetts state agency any of the information it is required to file under 957 CMR 9.00, the Health Care Entity may fulfill its obligation to report such information under 957 CMR 9.00 by demonstrating such other filing in the manner specified by the Center in Sub-Regulatory Guidance

#### 9.04: Required Reporting for Hospitals

- (1) Hospital Cost Report: Each Hospital shall file one electronic copy of the Hospital Cost Report annually.

- (2) Medicare Cost Report: Each Hospital shall file one electronic copy of its Medicare 2552 Cost Report annually.
- (3) Audited Financial Statements: Each Hospital shall submit a copy of its Audited Financial Statements annually.
  - (a) If an independent financial statement audit occurs at the Hospital-level, a copy of the Hospital Audited Financial Statements must be submitted.
  - (b) If an independent financial statement audit occurs at a consolidated level above that of the Hospital, for example at the level of a Parent Organization, the Hospital must submit a copy of the consolidated level Audited Financial Statements and a Consolidating Schedule with detailed financial statements of subsidiary Hospital(s). Consolidating Schedules must be accompanied by a signed statement by the consolidated entity's chief financial officer attesting that the information contained in the Consolidating Schedules fairly represents, in all material respects, the financial condition and results of operations of the subsidiary organizations.
- (4) Standardized Financial Statements: Each Hospital shall file Standardized Financial Statements that include a balance sheet and a statement of operations.
  - (a) Quarterly Filing: Each Acute Hospital shall submit Standardized Financial Filings for each of the first three quarters of the entity's fiscal year. Entities shall report cumulative year-to-date financial information ending with the most recently completed fiscal quarter.
  - (b) Annual Filing: In addition to the quarterly reporting required by 957 CMR 9.04(4)(a), each Hospital shall submit an Annual Standardized Financial Filing for its fiscal year, which must reconcile with the Audited Financial Statements or Consolidating Schedules filed pursuant to 957 CMR 9.04(3). If the data in the Annual Standardized Financial Filing differs from information in the Audited Financial Statements and Consolidating Schedules, the Hospital must reconcile the two filings and provide such reconciliations to the Center in an electronic format. Additionally, each Hospital must report to the Center any subsequent changes to its Audited Financial Statements.
- (5) Charge Book: Each Hospital shall file with CHIA an electronic copy of its Charge book annually. If there are any changes or revisions to the Charge book, an updated version must be provided within 30 days.
- (6) Organization and Affiliated Entity Reporting: Each Hospital shall annually report to CHIA organizational, management, and operational information, including information regarding a Hospital's relationships with any Affiliated Entities. The reported information must include:
  - (a) Hospital Ownership and Board.

1. A complete organizational chart showing the ownership structure of the Hospital, including all direct and indirect owners and their respective ownership percentages.
2. Hospital Board
  - i. Names of each Hospital board member that is, or has been, an employee or board member of, or investor in, an Affiliated Entity of the Hospital.

(b) Affiliated Entity Information.

1. Full legal name, address, Employer Identification Number (if applicable), and contact information for each Affiliated Entity.
2. A description of the nature and duration of the Hospital's relationship with each Affiliated Entity.
3. Financial Arrangements.
  - i. A summary detailing each financial arrangement between or among the Hospital and each Affiliated Entity, including but not limited to credit, loans, debt, guarantees, profit-sharing, revenue-sharing, management fees, consulting fees, any real estate or sale-leaseback, or other financial transactions as defined in Sub-Regulatory Guidance.
  - ii. Disclosure of any cross-ownership, shared services, or related-party transactions between or among the Hospital and each Affiliated Entity.
4. Significant Equity Investors.
  - i. Percent of ownership interest in the Hospital.
  - ii. Description of the nature of the Significant Equity Investor's ownership or Control of the Hospital.
5. Management Services Organizations.
  - i. An indication of whether the MSO is a subsidiary of the Hospital's Parent Organization or is otherwise under common Control with the Hospital.
  - ii. An indication of whether the MSO has an ownership interest in or Control of the Hospital.
  - iii. If the MSO has an ownership interest in or Control of the Hospital, a description of the nature of the ownership or Control.
6. Real Estate Information.
  - i. A list of properties that the Hospital or an entity acting on behalf of the Hospital rents or leases from a Realty Entity that meet the materiality thresholds for real estate information reporting set forth in Sub-Regulatory Guidance as described in 957 CMR 9.04(6)(c).
  - ii. The nature of each property rented or leased from a Realty Entity in relation to Hospital's overall operations, as described in Sub-

Regulatory Guidance (e.g. main campus, satellite site, outpatient site, etc.).

- iii. An indication of whether the Realty Entity qualifies as a Real Estate Investment Trust under 26 U.S.C section 856.
- iv. A description of the lease terms for each property the Hospital rents or leases from a Realty Entity, including rent amounts, lease duration, expenses the Hospital is responsible for (such as property taxes, maintenance costs, utilities, etc.), and other significant lease terms that shift costs or liabilities from the Realty Entity to the Hospital.

(c) Materiality Thresholds for Real Estate Information. The Center may establish through Sub-Regulatory Guidance materiality thresholds for the real estate information reporting requirements of 957 CMR 9.04(6)(b), below which such reporting requirements shall not apply. Factors for determining materiality include, but are not limited to the type, size, and use of the property, including whether the property provides inpatient, outpatient, or specialized medical services.

(d) Significant Change. If there is a significant change to any of the information submitted to CHIA pursuant to 957 CMR 9.04(6), such as a change in ownership, the Hospital must report the new information to CHIA within 45 days following the close of the fiscal quarter in which the change occurred.

(7) Employee Compensation Reporting for Acute Hospitals. Each Acute Hospital shall report to CHIA the total compensation annually, including salary and benefits information, paid by the Acute Hospital and/or any related organization to the top ten highest compensated employees of the hospital. The reported information must include:

- (a) Employee name;
- (b) Title and position description(s);
- (c) Specialty;
- (d) Base compensation;
- (e) Bonus and incentive compensation;
- (f) Other reportable compensation;
- (g) Retirement and other deferred compensation;
- (h) Non-taxable benefits; and
- (i) Whether the individual is a current or former employee as of the date of submitting the filing to CHIA.

(8) Hospital Liability for Affiliated Entity Reporting Compliance. A Hospital shall not be subject to monetary penalties under 957 CMR 9.09 solely due to the failure of an Affiliated Entity of the Hospital to report information required under 957 CMR 9.07. However, a Hospital may be subject to the notification requirements of 957 CMR 9.03(9) if an Affiliated Entity of the Hospital fails to timely report information required by 957 CMR 9.07.

9.05: Required Reporting for Parent Organizations of Hospitals

- (1) Audited Financial Statements: Each Parent Organization shall submit a copy of the consolidated-level Audited Financial Statements annually, including out-of-state operations.
- (2) Standardized Financial Statements: Each Parent Organization shall file Standardized Financial Statements that include a balance sheet and a statement of operations.
  - (a) Quarterly Filing: Each Parent Organization of an Acute Hospital shall submit Standardized Financial Filings for each of the first three quarters of the entity's fiscal year. Entities shall report cumulative year-to-date financial information ending with the most recently completed fiscal quarter.
  - (b) Annual Filing: In addition to the reporting requirements in 957 CMR 9.05(2)(a), each Parent Organization shall submit an Annual Standardized Financial Filing for its fiscal year, which must reconcile with Audited Financial Statements or Consolidating Schedules filed pursuant to 957 CMR 9.05(1). If the data in the Annual Standardized Financial Filing differs from information in the Audited Financial Statements and Consolidating Schedules, the Parent Organization must reconcile the two filings and provide such reconciliations to the Center in an electronic format. Additionally, each Parent Organization must report to the Center any subsequent changes to its Audited Financial Statements.
- (3) Subsidiary Health Care Entity Reporting.
  - (a) The Parent Organization of a Health Care Entity required to submit information under 957 CMR 9.00 may submit such information on behalf of the subsidiary Health Care Entity.
- (4) Organization and Affiliated Entity Reporting: Each Parent Organization shall annually report to CHIA organizational, management, and operational information, including information regarding a Parent Organization's relationships with any Affiliated Entities. The reported information must include:
  - (a) Ownership and Board.
    1. A complete organizational chart showing the ownership structure of the Parent Organization, including all direct and indirect owners and their respective ownership percentages.
    2. Parent Organization Board
      - i. Names of each Parent Organization board member, along with an indication of whether the Board member is, or has been, an employee, board member of, or investor in, an Affiliated Entity of the Parent Organization or their subsidiaries.

(b) Affiliated Entity Information.

1. Full legal name, address, Employer Identification Number (if applicable), and contact information for each Affiliated Entity.
2. A description of the nature and duration of the Parent Organization's relationship with each Affiliated Entity.
3. Financial Arrangements.
  - i. A summary detailing each financial arrangement between or among the Parent Organization and each Affiliated Entity, including but not limited to credit, loans, debt, guarantees, profit-sharing, revenue-sharing, management fees, consulting fees, any real estate or sale-leaseback, or other financial transactions as defined in Sub-Regulatory Guidance.
  - ii. Disclosure of any cross-ownership, shared services, or related-party transactions between or among the Parent Organization and each Affiliated Entity.
4. Significant Equity Investors.
  - i. Percent of ownership interest in the Parent Organization.
  - ii. Description of the nature of the Significant Equity Investor's ownership or Control of the Parent Organization.

(c) Significant Change. If there is a significant change to any of the information submitted to CHIA pursuant to 957 CMR 9.05(4), such as a change in ownership, the Parent Organization must report the new information to CHIA within 45 days following the close of the fiscal quarter in which the change occurred.

9.06: Required Reporting for Affiliated Physician Organizations of Acute Hospitals

(1) Audited Financial Statements: Each Physician Organization shall submit a copy of its Audited Financial Statements annually.

- (a) If an independent financial statement audit occurs at the Physician Organization-level, a copy of the Physician Organization Audited Financial Statements must be submitted.
- (b) If an independent financial statement audit occurs at a consolidated level above that of the Physician Organization, for example a Parent Organization, the Physician Organization must submit a copy of the consolidated level Audited Financial Statements and a Consolidating Schedule with detailed financial statements of subsidiary Physician Organization(s). Consolidating Schedules must be accompanied by a signed statement by the consolidated entity's chief financial officer attesting that the information contained in the Consolidating Schedules fairly represents, in all material respects, the financial condition and results of operations of the subsidiary organizations.

- (2) Standardized Financial Statements: Each Physician Organization shall file Standardized Financial Statements that include a statement of operations.
- (a) Quarterly Filing: Each Physician Organization of an Acute Hospital shall submit Standardized Financial Filings for each of the first three quarters of the entity's fiscal year. Entities shall report cumulative year-to-date financial information ending with the most recently completed fiscal quarter.
  - (b) Annual Filing: In addition to the reporting requirements in 957 CMR 9.06(2)(a), each Physician Organization shall submit an Annual Standardized Financial Filing for its fiscal year, which must reconcile with Audited Financial Statements or Consolidating Schedules filed pursuant to 957 CMR 9.06(1). If the data in the Annual Standardized Financial Filing differs from information in the Audited Financial Statements and Consolidating Schedules, the Physician Organization must reconcile the two filings and provide such reconciliations to the Center in an electronic format. Additionally, each Physician Organization must report any subsequent changes to its Audited Financial Statements.

9.07: Required Reporting by Affiliated Entities

(1) Audited Financial Statements.

- (a) Each Management Services Organization, Health Care REIT, and Significant Equity Investor associated with a Health Care Entity shall submit a copy of its Audited Financial Statements annually.
- (b) Each Realty Entity that is not a Health Care REIT must submit a copy of its Audited Financial Statements as requested by the Center if a property it rents or leases to a Health Care Entity meets the materiality thresholds for Realty Entity reporting as set forth in Sub-Regulatory Guidance.
- (c) An Affiliated Entity not specifically named in 957 CMR 9.07(1)(a) or (b) may be required to submit a copy of its Audited Financial Statements if requested due to materiality thresholds as set forth in Sub-Regulatory Guidance.

- (2) Materiality Thresholds for Affiliated Entity Reporting. The Center may establish through Sub-Regulatory Guidance materiality thresholds below which the reporting requirements of 957 CMR 9.07(1) shall not apply. For Realty Entities, the materiality thresholds described in 957 CMR 9.04(6)(c) will apply. For Affiliated Entities described in 957 CMR 9.07(1)(c), the Center will issue Sub-Regulatory Guidance establishing specific materiality thresholds for determining when affiliated entities are exempt from the reporting requirements of 957 CMR 9.07(1) that are based on factors that may include the financial value of the Affiliated Entity's relationship with a Health Care Entity, the degree of Control or influence the Affiliated Entity has over health care operations, and the potential impact the Affiliated Entity's relationship

with a Health Care Entity could have on the delivery of health care services in Massachusetts.

#### 9.08: Financial Reviews

The Center may conduct a Financial Review of a Health Care Entity to ensure accuracy and consistency in financial reporting made pursuant to 957 CMR 9.00. During the course of a Financial Review, a Health Care Entity must submit additional data and documentation relating to the entity's financial and operational reporting as requested by the Center and as necessary for the Center to evaluate the accuracy of the Health Care Entity's reporting. The Center reserves the right to conduct a Financial Review even if it has accepted the reviewed Health Care Entity's filings prior to the initiation of such a Financial Review.

All Health Care Entities must maintain supporting documentation sufficient to demonstrate compliance with all provisions of 957 CMR 9.00.

#### 9.09: Penalties

The Center will provide written notice to Reporting Entities that fail to comply with the reporting deadlines established in 957 CMR 9.00.

- (1) The Center will notify a Reporting Entity that failure to respond within two weeks of the written notice, without just cause, may result in penalties. In accordance with M.G.L. c. 12C, § 11, the Reporting Entity may be subject to a penalty of up to \$25,000 per week for each week that they fail to provide the required data and information.
- (2) Any remedy available under 957 CMR 9.09 is in addition to other sanctions and penalties that may apply under the provisions of other statutes and regulations.
- (3) Reporting Entities that fail to comply with the requirements of 957 CMR 9.00 will be subject to all penalties and remedies allowed by law and the Center will take all necessary steps to enforce 957 CMR 9.00, including a petition to the Superior Court for an order enforcing the same.
- (4) Before assessing a penalty, the Center shall notify the Reporting Entity that has failed to comply with the requirements of 957 CMR 9.00 that it has the right to request a hearing in accordance with M.G.L. c. 30A, § 10.
- (5) If a hearing is timely requested in writing, the Center, including through a Presiding Officer, will conduct the hearing in accordance with 801 CMR 1.00: *Standard Adjudicatory Rules of*

*Practice and Procedure.* After the hearing, the Center shall render a written decision and may assess a civil penalty pursuant to 957 CMR 9.09(1).

- (6) After the issuance of a final decision, except where any provision of law precludes judicial review, a Reporting Entity aggrieved by such final decision may seek judicial review thereof in accordance with M.G.L. c. 30A, § 14.

9.10: Severability

The provisions of 957 CMR 9.00 are severable. If any provision or the application of any provision is held to be invalid or unconstitutional, such invalidity shall not be construed to affect the validity or constitutionality of any remaining provisions of 957 CMR 9.00 or the application of such provisions.

REGULATORY AUTHORITY

957 CMR 9.00: M.G.L. c. 12C