

Summary of Dues Calculation Process for Type I Hospital Membership in the Massachusetts Hospital Association

The MHA Dues Calculation process is as follows:

1. The dues formula uses the most recent Net Patient Service Revenue (NPSR) submitted to the Massachusetts Center for Health Information and Analysis (CHIA) by each hospital member as a comparative component in calculating each member's actual dues.* Dues are calculated for each hospital member that files with CHIA. Hospital members that have multiple campuses but file a single report under a single license, pay dues calculated on the single reported NPSR. Hospital members that are part of a system but file a report for each hospital license, pay dues calculated on each reported NPSR.

Patient service revenues such as physician and long term care that are reported outside of the "hospital corporation" will not be included in the assessment. For hospital members that do not report data to CHIA, MHA will use the hospital's most recent published, audited financial statement.

2. The NPSR numbers are used to generate a tiered system with an attached millage rate that calculates the actual dues of each hospital allowing for increases in NPSR to be spread out by tiers with a decreasing assessment. As the total amount of NPSR increases and falls into higher tiers, a lower millage rate is applied to that tier.

Type I-A Hospitals

SAMPLE Calculation of MHA Member Dues: Assumptions

Tier	Cumulative Base	Base	Model Rate	Base Rate	Number of Hospitals	% of total
1	\$20,000,000	\$20,000,000	0.1732%	0.177%	60	100%
2	\$50,000,000	\$30,000,000	0.0714%	0.073%	60	100%
3	\$100,000,000	\$50,000,000	0.0649%	0.066%	48	80%
4	\$220,000,000	\$120,000,000	0.0382%	0.039%	40	71%
5	\$440,000,000	\$220,000,000	0.0296%	0.030%	21	34%
6	\$440,000,000		0.0099%	0.010%	8	15%

* Model rate = base rate times budget factor

		7,366,123	Total Type I-A Projected Dues
Total Hospital Dues:	7,784,520	418,397	Total Type I-NA Projected Dues
Insert Target Dues amt:	7,784,520		
Insert Budget Factor:	97.9%		

In the spring of 2009, a Dues Sub-Committee of the Governance Task Force was convened and reviewed the MHA dues process and other common dues calculation processes. The Committee found that about 30% of hospital associations of our size use Net Patient Service Revenue. The use of Tiers is universal, and ranges from 4 to 8 tiers. MHA uses 6. Those associations who do not use NPSR are using Gross Revenue or Total Expenses, in about equal numbers. After discussion, the Dues Task Force recommended to the Governance Task Force the above NPSR tiered process be continued. That recommendation was approved by the Board in the summer of 2009.

Currently the average MHA dues for an acute care member is \$144,000. The median of dues paid by acute care members is \$130,000. The highest dues paid is \$397,000 (947 licensed beds) and the lowest dues paid is \$34,000 (25 licensed beds).

The average MHA non-acute care membership dues amount is \$31,000 and the median of non-acute members is \$29,000.

* Due to the timing of fiscal years and CHIA reporting requirements the NPSR numbers MHA uses are approximately one year old. To calculate FY2014 dues invoiced for the membership year beginning October 1, 2013 and ending September 30, 2014, we used FY2012 numbers which were pulled from CHIA's year-end financial and 403 databases. The numbers in that year-end financial database were populated by information member hospitals submitted as part of their Q4 2012 quarterly financial filings sent via the INET system. That Q4 financial filing included an NPSR with premium revenue figure from which MHA nets out premium revenues using premium revenue information from CHIA's 403 database. The information in that 403 database was populated from member hospitals' 2012 403 costs reports Schedule 5A. The NPSR figure net premium revenues is reflected in the calculation details on member Type I hospital invoices.