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Center for Health Information and Analysis - Finding 2

The Center for Health Information and Analysis did not assess potential fines of \$1,613,000 for acute care hospitals and health systems that did not file financial reports by required deadlines.

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Overview

Acute care hospitals were late with submitting their financial information 585 times during the audit period. CHIA did not send written notice to any acute care hospitals when they were late with submitting required financial information. We also found that 76% of the time, CHIA provided acute care hospitals with initial deadlines for financial information that were longer than those allowed under its regulations. Additionally, CHIA never collected audited financial statements from the 10 acute care hospitals listed in the table below.

Acute Care Hospitals That Did Not File Audited Financial Statements with CHIA

Athol Memorial Hospital	Steward Holy Family Hospital
Heywood Hospital	Steward Norwood Hospital
Steward Carney Hospital	Steward Saint Anne's Hospital
Steward Good Samaritan Hospital	Steward St. Elizabeth's Medical Center
Morton Hospital	Nashoba Valley Medical Center

Heywood Healthcare, which operates Heywood Hospital and Athol Hospital, filed for bankruptcy in 2023. Steward Health Care, which operated Carney Hospital, Good Samaritan Hospital, Morton Hospital, Holy Family Hospital, Norwood Hospital, Saint Anne's Hospital, and St. Elizabeth's Medical Center during the audit period, filed for bankruptcy in 2024. CHIA could have assessed \$1,613,000 in fines when acute care hospitals failed to provide their required financial information. The total amount in potential assessed fines by hospital is detailed in Appendix A. It should be noted that the purpose of fining acute care hospitals in this instance is to provide the required financial information. Provision of this information may have assisted CHIA, policymakers and the public in detecting and responding to the hospital closures that occurred in 2023 and 2024.

By not ensuring that acute care hospitals and health systems meet the Commonwealth's financial reporting requirements in a timely manner, CHIA risks overlooking hospitals and health systems that are at risk of closing.

Authoritative Guidance

Section 8(b) of Chapter 12C of the General Laws states,

With respect to any acute or non-acute hospital, the center shall, by regulation, designate information necessary to effectuate this chapter including, but not be limited to, the filing of a charge book, the filing of cost data and audited financial statements and the submission of merged billing and discharge data. The center shall, by regulation, designate standard systems for determining, reporting and auditing volume, case-mix, proportion of low-income patients and any other information necessary to effectuate this chapter and to prepare reports comparing acute and non-acute care hospitals by cost, utilization and outcome. The regulations may require the hospitals to file required information and data by electronic means; provided, however, that the center shall allow reasonable waivers from the requirement. The center shall, at least annually, publish a report analyzing the comparative information to assist third-party payers and other purchasers of health

services in making informed decisions. The report shall include comparative price and service information relative to outpatient mental health services.

Further, Section 9.10 of Title 957 of the Code of Massachusetts Regulations (CMR) states,

The Center will provide written notice to Acute Hospitals, Non-acute Hospitals, Physician Organizations, and Parent Organizations that fail to comply with the reporting deadlines established in 957 CMR 9.00.

(1) The Center will notify Acute Hospitals, Non-acute Hospitals, Physician Organizations, and Parent Organizations that failure to respond within two weeks of the written notice, without just cause, may result in penalties. In accordance with [Section 11 of Chapter 12C of the General Laws], Acute Hospitals, Non-acute Hospitals, Physician Organizations, and Parent Organizations may be subject to a penalty of up to \$1,000 per week for each week that they fail to provide the required health care data and information, up to an annual maximum of \$50,000.

(2) Any remedy available under 957 CMR 9.10 is in addition to other sanctions and penalties that may apply under the provisions of other statutes and regulations.

(3) Acute Hospitals, Non-acute Hospitals, Physician Organizations, and Parent Organizations 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 9.10, including a petition to the Superior Court for an order enforcing the same.

A list of the regulatory deadlines for each filing requirement can be found in Appendix B.

Reasons for Issue

CHIA officials told us that they believe that many of the filing deadline requirements listed in their own regulations are not practical for many acute care hospitals, many of which operate on differing fiscal year cycles. CHIA officials also told us that they did not fine some of the acute care hospitals that missed filing deadlines because of pending litigation and bankruptcy proceedings with some health systems.

Recommendations

1. CHIA should ensure that it communicates to acute care hospitals reporting deadlines that are in accordance with its regulations.
2. CHIA should ensure that it sends written notice to acute care hospitals that do not comply with its reporting deadlines.
3. CHIA should issue fines to acute care hospitals that do not comply with reporting deadlines.

Auditee's Response

CHIA's primary interest is receiving complete and accurate data that advances transparency through timely, objective, and reliable reporting. CHIA is in regular contact with data submitters to ensure all requirements are met, as documentation provided pursuant to this audit process and CHIA's public reporting on the financial performance of hospitals and health systems demonstrate. Reasonable extensions are offered to ensure the completeness and accuracy of the data CHIA receives and reports on. Such extensions have never impeded CHIA's ability to regularly report on the financial performance of Massachusetts hospitals. In every instance of noncompliance for acute care hospitals, CHIA has pursued formal notice and subsequent fines when audited financial statements were available to produce to CHIA. CHIA does not have authority to compel an acute care hospital to conduct an audit, but rather compel the entity to provide a copy of completed audited financial statements.

The report references audited financial statements from ten hospitals under two healthcare systems (Heywood Healthcare and Steward Health Care) that were not collected during the audit period. Heywood Healthcare was unable to issue an audited financial statement from a registered certified public accountant in [fiscal year] 2021 and [fiscal year] 2022; and, therefore, did not have an audited financial statement to produce.

Steward Health Care claimed it was not required to submit system-level audited financial statement data. CHIA fined Steward Health Care multiple times over several years for noncompliance which has been the subject of ongoing litigation. In 2023, the Superior Court ruled in CHIA's favor affirming Steward's obligation to submit its financial data to the agency. Steward appealed this decision, and the matter is still in Appeals Court, but "stayed" until the bankruptcy case is resolved.

In both instances, CHIA used other data sources where possible, including standardized financial data collected by the agency, to fulfill its obligation to report on the financial performance of these systems, their hospitals, and physician organizations. . . .

It is imperative to note that CHIA's fining authority is discretionary under statute and regulations; the agency issues fines entities when necessary for compliance with reporting requirements—as it fined Steward Healthcare. The \$1,613,000 figure referenced in the report is misguided as it does not account for CHIA's discretion for reasonable extensions, Heywood's inability to complete audited financials, nor the agency's prior fines and active litigation with Steward.

Auditor's Reply

In its response, CHIA states that it pursued formal notice and subsequent fines in every instance of noncompliance when audited financial statements were available and not provided to CHIA. However, we wish to emphasize that CHIA did not fine Steward Health Care for its refusal to file its 2021 and 2022 audited financial statements with CHIA.

Additionally, in its response, CHIA states that Heywood Hospital was unable to obtain an audit of its financial statements from a Certified Public Accountant during 2021 and 2022, and that it does not have the authority to compel Heywood Hospital to obtain an audit of its financial statements. We believe that in such instances,

CHIA should have exercised its option to fine Heywood Hospital for noncompliance with CHIA's financial reporting requirements. Further, we believe it to be unusual for Heywood Hospital to not have had an annual audit of its financial statements performed, as Heywood Hospital is a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code and is also required to file annual audited financial statements with the Office of the Attorney General's Non-Profit Organizations / Public Charities Division. Heywood's inability to secure and provide to CHIA audited financial statements should, in and of itself, be considered an indicator of financial distress. We believe this, and other concerns expressed in our audit, should have resulted in more serious action on CHIA's part.

Finally, while we recognize that CHIA's fining authority is discretionary, we believe that CHIA should leverage this authority when hospitals are not compliant with filing any type of required financial reporting. In its response, CHIA states that the estimated fines calculated in this finding do not account for CHIA's discretion for reasonable extensions. This is not the case, as all of the exceptions noted in our finding were only for cases when an acute care hospital was either not granted a filing extension by CHIA or missed its extended filing deadline entirely. After reviewing the facts presented to us, we disagree with how CHIA exercised its discretion in the cases we identified, yet we did not include these fines when calculating the \$1,613,000 in unassessed fines.

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