

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, M/S S3-13-15
Baltimore, MD 21244-1850



Center for Medicaid, CHIP and Survey & Certification (CMCS)

Dr. Judy Ann Bigby, Secretary
Executive Office of Health and Human Services
State of Massachusetts
One Ashburton Place
Boston, MA 02108

NOV 30 2010

RE: TN 09-013

Dear Dr. Bigby:

We have reviewed the proposed amendment to Attachment 4.19-A (2b) of your Medicaid State plan submitted under transmittal number (TN) 09-013. This amendment revises the rate methodology for Private Psychiatric Hospitals and Substance Abuse Treatment Hospitals. Specifically, it provides a rate increase of 1.1459% for the Private Psychiatric Hospitals and a rate increase of .719% for the Substance Abuse Treatment Hospitals.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a) and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. This letter is inform you that Medicaid State plan amendment 09-013 is approved effective October 1, 2009. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please call Novena James-Hailey at (617) 565-1291.

Sincerely,

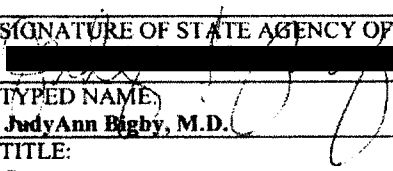

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Cindy Mann
Director
Center for Medicaid CHIP and Survey & Certification
(CMSC)

Enclosures:

cc: Terry Dougherty, Medicaid Director, EOHHS

bcc: Richard McGreal, ARA, CMS Region I
Joseph Barkas, Region I
Irvin Rich, Region I
Mark Cooley, CMS NIRT
Official SPA File

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES	1. TRANSMITTAL NUMBER: 09-013	2. STATE MA
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE AND MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE 10/01/09	
5. TYPE OF PLAN MATERIAL. (Check One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)		
6. FEDERAL STATUTE/REGULATION CITATION: 42 U.S.C. 1396a; 42 U.S.C.1396b. 42 CFR Part 447.	7. FEDERAL BUDGET IMPACT: a. FFY10 \$ 25,556.88 b. FFY11 \$ 25,556.88	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A (2b), pages 1-6	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-A (2b), page 1-15	
10. SUBJECT OF AMENDMENT: Private Psychiatric Hospital Services		
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED Not required under <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL 42 CMR 430.12(b)(2)(ii)		
12. SIGNATURE OF STATE AGENCY OFFICIAL: 	16. RETURN TO: Michael P. Coleman State Plan Coordinator Executive Office of Health and Human Services Office of Medicaid One Ashburton Place, 11th Floor Boston, MA 02108	
13. TYPED NAME: Judy Ann Bigby, M.D.		
14. TITLE: Secretary		
15. DATE SUBMITTED: 12/30/09		
FOR REGIONAL OFFICE USE ONLY		
17. DATE RECEIVED:	18. DATE APPROVED: 11-30-10	
PLAN APPROVED - ONE COPY ATTACHED		
19. EFFECTIVE DATE OF APPROVED MATERIAL: OCT - 1 2009	20. SIGNATURE OF REGIONAL OFFICIAL: 	
21. TYPED NAME: William Lasowski	22. TITLE: Deputy Director, CMCS	
23. REMARKS:		

State Plan under Title XIX of the Social Security Act
State: Massachusetts
Methods Used to Determine Rates of Payment for Privately-Owned Psychiatric Hospital Services

I. General Description of Payment Methodology

The following sections describe the methods and standards utilized by the Executive Office of Health and Human Services (EOHHS), pursuant to the provisions of M.G.L. c. 118E, §13A, to establish the rates and terms of payment by contract for dates of service between October 1, 2009 and October 31, 2010 (Rate Year 2010) for services rendered by Privately-Owned Psychiatric hospitals and Substance Abuse Treatment Hospitals to patients entitled to medical assistance under M.G.L. c. 118E, §1 et seq. These rates of payment do not apply to Members who are enrolled in the MassHealth Primary Care Clinician Plan's Behavioral Health Plan.

- (1) EOHHS established a comprehensive inpatient per diem rate for all participating Psychiatric Hospitals, covering both routine and ancillary services provided to inpatients. The comprehensive statewide inpatient per diem rate effective October 1, 2009 (RY 2010) is derived from 2008 operating and capital cost information for each hospital. The base period standards were calculated using the FY 2008 HCF-403 cost reports. The operating costs were updated from fiscal year 2008 using a composite index comprised of two cost categories: Labor and Non-labor. These categories were weighted according to the weights used by the CMS for PPS-excluded hospitals. The inflation proxy for the labor cost category is the Massachusetts Consumer Price Index. The inflation proxy for the non-labor cost category is the non-labor portion of the CMS market basket for PPS-excluded hospitals. The RY 2009 update factor for operating costs is 1.459%. The CMS Capital Input Price Index of 0.7% is used in computing an allowance for inpatient capital, which is derived from fiscal year 2008 patient care capital expenditure data.
- (2) An all-inclusive Administrative Day per diem Rate (AD Rate) is established for psychiatric hospitals for each Administrative Day. The AD Rate is an all-inclusive daily rate paid for each Administrative Day.

The AD Rate is a base per diem payment and an ancillary add-on. The base per diem payment is \$142.11, which represents the January 2003 nursing home rate for all nursing home rate categories, as determined by the Division of Health Care Finance and Policy (DHCFP). The basis for the ancillary add on component is MassHealth claims data from October 1997 through September 1998. The ancillary add-on is based on the ratio of ancillary charges to routine charges, calculated for Medicaid/Medicare Part B eligible patients on AD status, using MassHealth paid claims for the period October 1, 1997, to September 30, 1998. These ratios are 0.278 and 0.382 respectively. The resulting AD rate (base and ancillary) was updated for inflation using the update factor of 2.2670% for inflation between FY 03 and FY 04, 1.723% between FY 04 and FY 05, 2.548% between FY 05 and FY 06, 1.853% between FY 06 and FY 07, 1.968% between FY 07 and FY 08, and 2.244% between FY 08 and FY 09. The resulting AD rate for FY 2010 is \$ 205.74

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- (3) MassHealth established a comprehensive inpatient per diem rate for all participating substance abuse treatment hospitals covering both routine and ancillary services provided to inpatients. MassHealth calculated the base period per diem rate using payments and inpatient days reported on Medicaid substance abuse treatment hospital claims data during the period RY1997 through May 1999. Claims data and bed-days for Medicaid recipients enrolled in the PCCP Behavioral Health Program are not included in these calculations.

EOHHS derived the inpatient per diem rate by generating a base period rate for the period RY1997 through RY1999 (up to May 1999). The base period rate was inflation-adjusted to RY1999 dollars and MassHealth calculated the inpatient *per diem* rate by taking an average of payments per day reported on claims data for the period HRY 1997 through May 1999. All monetary figures were adjusted using the SPAD inflation factors of 2.14 % for HRY 1998; 1.90 % for HRY 1999; 1.43 % for HRY 2000; 2.00 % for HRY 2001; 1.152 % for HRY 2002; 2.226% for HRY 2003; (no inflation was given in HRY 2004); 1.186% for HRY2005; 1.846% for HRY2006; 1.64% for HRY 2007; 1.734% for HRY 2008; .719% for HRY 2009 (no inflation was given in HRY 2010). The HRY 2010 inpatient payment rate in effect as of October 1, 2009 is \$556.27. The contract does not cover services provided to patients enrolled with MassHealth's Primary Care Clinician Plan's behavioral health contractor, or with a MassHealth-contracted managed care organization.

II. Definitions

Administrative Day (AD): A day of inpatient hospitalization on which a Member's care needs can be met in a less-intensive setting than a Psychiatric Hospital, and on which the Member is clinically ready for discharge, but an appropriate institutional or non-institutional setting is not readily available.

Administrative Day Per Diem Rate (AD Rate): An all-inclusive daily rate of payment paid to hospitals for Administrative Days.

Department of Mental Health (DMH): An agency of the Commonwealth of Massachusetts established under M.G.L. c. 19, §1 et seq.

Department of Public Health (DPH): An agency of the Commonwealth of Massachusetts established under M.G.L. c. 17, §1.

Diagnostic and Statistical Manual of Mental Disorders, 4th edition, Text Revision (DSM-IV-TR): The manual compiled and published by the American Psychiatric Association as a source of information about, categorization of, and diagnostic criteria for recognized psychiatric disorders.

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Division of Health Care Finance and Policy (DHCFP): An agency of the Commonwealth of Massachusetts, Executive Office of Health and Human Services established under M.G.L. c. 118G.

(HURM Manual): The Commonwealth of Massachusetts Hospital Uniform Reporting Manual promulgated by DHCFP under 114.1 CMR 4.00.

Inpatient Per Diem Rate: An all-inclusive daily rate of payment for any and all Inpatient Psychiatric Services provided to a Member by the Psychiatric Hospital.

Inpatient Per Diem Rate: An all-inclusive daily rate of payment for any and all Inpatient Psychiatric Services provided to a Member by a Privately-Owned Psychiatric Hospital or Substance Abuse Treatment Hospital.

MassHealth (also Medicaid): The Medical Assistance Program administered by EOHHS to furnish and pay for medical services pursuant to M.G.L. c. 118E and Titles XIX and XXI of the Social Security Act, and any approved waivers of such provisions.

Member: A person determined by EOHHS to be eligible for medical assistance under the Medicaid Program.

Primary Care Clinician Plan's Behavioral Health Program (PCCP Behavioral Health Program): A managed care program for the administration, coordination, and delivery of mental health and substance abuse services to Members enrolled in the Primary Care Clinician Plan.

Psychiatric Inpatient Hospital: (Psychiatric Hospital) - A hospital licensed by the Department of Mental Health (DMH) pursuant to M.G.L. c. 19, § 19.

Rate Year (RY): The fiscal year beginning October 1 and ending September 30.

Substance Abuse Treatment Hospital Services: A hospital licensed by the Massachusetts Department of Public Health, pursuant to 105 CMR 130.00 and 105 CMR 164.000, which govern the licensure or approval and operation of every substance abuse treatment program subject to licensure or approval under M.G.L. c. 111B, §§6,6A; M.G.L.c.111E §7; M.G.L.c 111, §§51-56. Substance abuse hospitals provide short-term, twenty-four hour per day medical treatment for substance withdrawal, individual medical assessment, evaluation, intervention, substance abuse counseling and post-detoxification referrals provided by an inpatient unit licensed as an acute inpatient substance abuse treatment service by the Massachusetts Department of Public Health pursuant to regulations at 105 CMR 160.000 and 161.000.

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State: Massachusetts
Methods Used to Determine Rates of Payment for Privately-Owned Psychiatric Hospital Services

III. Payment Methodology

A. Privately -Owned Psychiatric Hospitals

- (1) The Inpatient Per Diem Rate is an all inclusive daily rate for all participating psychiatric hospitals, covering both routine and ancillary services provided to inpatients. The base period standards were calculated using the FY 2008 HCF-403 cost reports. The Inpatient per diem Rate for the period beginning October 1, 2009 of RY 2009-2010 is derived from the 2008 operating and capital cost information for each hospital. The operating costs were updated from fiscal year 2008 using a composite index comprised of two cost categories: Labor and Non-labor. These categories were weighted according to the weights used by the CMS for PPS-excluded hospitals. The inflation proxy for the labor cost category was the Massachusetts Consumer Price Index. The inflation proxy for the non-labor cost category is the non-labor portion of the CMS market basket for PPS-excluded hospitals. The RY 2008-2009 update factor for operating costs was 1.459%. The CMS Capital Input Price Index of 0.7% was used in computing an allowance for inpatient capital, which is derived from fiscal year 2008 patient care capital expenditure data.
- (2) The base period operating standards were calculated using the FY 2008 HCF-403 cost reports. Standards were computed in three categories, the sum of which is the Statewide per diem: 1) standard for Inpatient Overhead costs; 2) standard for Inpatient Direct Routine Costs; 3) standard for Inpatient Direct Ancillary Costs.

Determination of Base Year Operating Standards

- (3) The Standard for Inpatient Psychiatric Overhead Costs is based on the cost per day of the median licensed bed day. All hospitals were ranked from highest to lowest with respect to their cost per day; a cumulative frequency of licensed bed days for the hospitals was produced. The overhead cost standard was established at the cost per day corresponding to the position on the cumulative frequency of days that represent 50% of the total number of licensed bed days.
- (4) The Standard for Inpatient Psychiatric Direct Routine Costs is based on the cost per day of the median licensed bed day. All hospitals were ranked from highest to lowest with respect to their cost per day; a cumulative frequency of licensed bed days for the hospitals was produced. The routine cost standard was established at the cost per day corresponding to the position on the cumulative frequency of days that represent 50% of the total number of licensed bed days.
- (5) The Standard for Inpatient Psychiatric Direct Ancillary Costs is based on the cost per day of the median licensed bed day. All hospitals were ranked from highest to lowest with respect to their cost per day; a cumulative frequency of licensed bed days for the hospitals was produced. The direct ancillary cost standard was established at the cost per day corresponding to the position on the cumulative frequency of days that represent 50% of the total number of licensed bed days.

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Determination of Base Year Capital Standard

- (6) Each Hospital's base year capital costs consist of each hospital's actual Base Year patient care capital requirement for historical depreciation for building and fixed equipment, reasonable interest expenses, amortization, leases, and rental of facilities. The standard for Inpatient Psychiatric Capital Cost is the median of all the hospital's Inpatient Psychiatric Capital Costs Per day.

Adjustment to Base Year Costs

- (7) The Standards for Overhead Costs, Direct Routine Costs, and Direct Ancillary Costs were updated using a composite index, which is a blend of CMS Hospital Prospective Market Basket and the Massachusetts Consumer Price Index. The CMS Capital Input Price Index adjusts the base year capital cost to determine the capital amount. The year-to-year update factors between the base year and RY 2009 were used in the rate calculation of the annual inflation rates for operating costs and capital costs.

Administrative Days

- (8) A hospital will be paid for administrative days using an administrative day per diem rate (AD Rate). The AD Rate is an all-inclusive daily rate paid for each administrative day. The AD Rate is comprised of a base per diem payment and an ancillary add-on. The AD Rate is a base per diem payment and an ancillary add-on. The base per diem payment is \$142.11, which represents the January 2003 nursing home rate for all nursing home rate categories, as determined by DHCFP.
- (9) The ancillary add-on is based on the ratio of ancillary charges to routine charges, calculated for Medicaid/Medicare Part B eligible patients on AD status, using MassHealth paid claims for the period October 1, 1997, to September 30, 1998. These ratios are 0.278 and 0.382 respectively. The resulting AD rate (base and ancillary) was updated for inflation using the update factor of 2.2670% for inflation between FY 03 and FY 04, 1.723% between FY 04 and FY 05, 2.548% between FY 05 and FY 06, 1.853% between FY 06 and FY 07, 1.968% between FY 07 and FY 08, and 2.244% between FY 08 and FY 09. The resulting AD rate for FY 2010 is \$ 205.74

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B. Substance Abuse Treatment Hospitals

Determination of Inpatient per Diem Rates

1. The inpatient per diem rate is an all-inclusive daily rate paid for any and all inpatient care and services provided by a substance abuse treatment hospital to eligible Medicaid recipients. The per diem rate covers all treatment components such as room and board, routine nursing and hospital-based physician services, medications, initial substance abuse and psychiatric assessments, individual, family and group inpatient therapy services, radiology, ancillary services, overhead, and other services as is the customary practice among similar providers. The inpatient per diem rate is calculated as follows:
2. The base period per diem rate is calculated using payments and inpatient days reported on Medicaid substance abuse treatment hospital claims data during the period RY1997 through May 1999. Claims data and bed-days for Medicaid recipients enrolled in the PCCP Behavioral Health Program are not included in these calculations.
3. The inpatient per diem rate is calculated by taking an average of payments per day reported on claims data for the period HRY 1997 through May 1999. All monetary figures were adjusted using the SPAD inflation factors of 2.14 % for HRY 1998; 1.90 % for HRY 1999; 1.43 % for HRY 2000; 2.00 % for HRY 2001; 1.152 % for HRY 2002; 2.226% for HRY 2003; (no inflation was given in HRY 2004); 1.186% for HRY 2005; 1.846% for HRY 2006; 1.64% for HRY 2007; 1.734% for HRY 2008; .719% for HRY 2009; (no inflation was given in HRY 2010). The HRY 2010 inpatient payment rate in effect as of October 1, 2009 is \$556.27.

OS Notification

State/Title/Plan Number: Massachusetts 09-013
Type of Action: SPA Approval
Required Date for State Notification: December 29, 2010
Fiscal Impact:

FY 2010	\$25,557 FFP
FY 2011	\$25,557 FFP

Number of Services Provided by Enhanced Coverage, Benefits or Retained Enrollment: 0

Number of Potential Newly Eligible People: 0

Eligibility Simplification: No

Provider Payment Increase: Yes

Delivery System Innovation: No

Number of People Losing Medicaid Eligibility: 0

Reduces Benefits: No

Detail: Effective October 1, 2009, this amendment revises the rate methodology for Private Psychiatric Hospitals and Substance Abuse Treatment Hospitals. Specifically, it provides a rate increase of 1.1459% for the Private Psychiatric Hospitals and a rate increase of .719% for the Substance Abuse Treatment Hospitals.

Other Considerations: CMS is satisfied that the State has met all the Federal requirements. The upper payment limit demonstration was acceptable. The State provided satisfactory responses to the funding questions. We do not recommend the Secretary contact the governor. This OSN has been reviewed in the context of the ARRA and approval of the OSN is not in violation of ARRA provisions.

CMS Contact: Novena James-Hailey, (617) 565-1291