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State/Territory Name: MA

State Plan Amendment (SPA) #: 11-005

This file contains the following documents in the order listed:

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

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

Center for Medicaid and CHIP Services (CMCS)

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

AUG 1 9 2012

RE: TN 11-005

Dear Dr. Bigby:

We have reviewed the proposed amendment to Attachments 4.19-A (2a) of your Medicaid State plan submitted under transmittal number (TN) 11-005. This amendment updates the reimbursement methodology for a private non-acute hospital that had no fewer than 500 beds as of June 30, 2007. Specifically it increases the payment rate by 4%.

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. We are pleased to inform you that Medicaid State plan amendment 11-005 is approved effective May 1, 2011. 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,

Cindy Mann
Director, CMCS

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES	1. TRANSMITTAL NUMBER: 011-005	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 **May 1, 2011**	

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☑ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:	7. FEDERAL BUDGET IMPACT:
42 CFR 447.250 et seq.	**a. FFY 2011 $ 1,207,463.00** **b. FFY 2012 $ 1,207,463.00**
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
Attachment 4.19-A (2a), pages 3-4	**Attachment 4.19-A (2a), pages 3-4**

10. SUBJECT OF AMENDMENT:

Chronic Disease and Rehabilitation Hospital Services.

11. GOVERNOR'S REVIEW *(Check One)*:

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☑ OTHER, AS SPECIFIED: **Not required under 42 CFR 430.12(b)(2)(ii)**

12. SIGNATURE OF STATE AGENCY OFFICIAL:	16. RETURN TO:
13. TYPED NAME: **JudyAnn Bigby, M.D.**	**Michael P. Coleman** **State Plan Coordinator** **Office of Medicaid** **Executive Office of Health and Human Services** **One Ashburton Place, 11th Floor** **Boston, MA 02108**
14. TITLE: **Secretary**	
15. DATE SUBMITTED: **06/16/11**	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:	18. DATE APPROVED: AUG 13 2012
PLAN APPROVED – ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: MAY - 1 2011	20. SIGNATURE OF REGIONAL OFFICIAL:
21. TYPED NAME: Penny Thompson	22. TITLE: Deputy Director, CMCS

23. REMARKS:

ORM CMS-179 (07-92)

State Plan under Title XIX of the Social Security Act
State: Massachusetts
Methods for Establishing Payment Rates – Privately-Owned
Chronic Disease and Rehabilitation Inpatient Hospital Services

2. Determination of Base Year Inpatient Operating Costs. Base Year Inpatient Operating Costs are the sum of total Inpatient Direct Routine Costs, Inpatient Direct Ancillary Costs, and Inpatient Overhead Costs as described below.

   a. Inpatient Direct Routine Costs. Inpatient Direct Routine Costs are the Total Inpatient Routine Costs derived from the HCFP-403.

   b. Inpatient Direct Ancillary Costs. Inpatient Direct Ancillary Costs are the Total Inpatient Ancillary Costs derived from the HCFP-403.

   c. Inpatient Overhead Costs. Inpatient Overhead Costs are the Total Inpatient Overhead Costs derived from the HCFP-403.

3. Calculation of the Base Year Inpatient Operating Per Diem. The Inpatient Operating Per Diem is calculated by dividing the sum of the Total Inpatient Operating Costs (Schedule XVII Line 21 Column 2) by the total inpatient days (Schedule V-A Line 21 Column 2).

4. Inpatient Capital Costs: Base year capital costs consist of the hospital's actual HFY 2007 patient care capital requirement for historical depreciation for building and fixed equipment; reasonable interest expenses; amortization and; leases and rental of facilities (Schedule XVIII Line 21 Column 2 minus Schedule XVII Line 21 Column 2)

5. Inpatient Capital Cost Per Diem. The Inpatient Capital Cost Per Diem is derived by dividing the total Inpatient Capital Costs by the total inpatient days (Schedule V-A Line 21 Column 2).

6. Adjustments to Base Year Costs.

   a. Total inpatient operating costs will be updated using the CMS Excluded Hospital Market Basket. Total inpatient capital costs will be updated using the Medicare Market Basket Capital Input Price Index. These adjustment factors will be calculated as follows:
      i. The base year price level will be the average of the four quarters of the applicable base year. The base year 2007 will be the fiscal year October 1, 2006 to September 30, 2007.
      ii. The rate year price level will be the average of the four quarters of the applicable rate year. The rate year 2008 will be April 1, 2008 to March 31, 2009.
      iii. The adjustment factor is the percent change between the base year period (i) and the rate year period (ii).

   b. The limitations applicable to base year capital costs are:

      i. Interest expense attributable to balloon payments on financed debt is excluded. Balloon payments are those in which the final payment on a partially amortized debt is scheduled to be larger than all preceding payments.

ii. Where there was a change of ownership after July 18, 1984, the basis of the fixed assets used in the determination of depreciation and interest expense is the lower of the acquisition cost to the new owner or the basis allowed for reimbursement purposes to the immediate prior owner. The depreciation expense is calculated using the full useful lives of the assets.

iii. All costs (including legal fees, accounting, and administrative costs, travel costs, and the costs of feasibility studies) attributable to the negotiation or settlement of the sale or purchase of any capital asset after July 18, 1984 (by acquisition or merger), for which payment has previously been made by any payer, and which have been included in any portion of prior years' rates, are subtracted from capital costs.

7. Effective April 1, 2009, Per Diem Rate 1 is updated by a 4.3% increase.

8. Effective April 1, 2010, Per Diem Rate 1 is updated by a 4% increase.

9. Effective May 1, 2011, Per Diem Rate 1 is updated by a 4% increase

B. Per Diem Rate 2: Per Diem Rate 2 is determined by averaging the HFY 2010 payment rates under Section III of this attachment for Chronic Disease and Rehabilitation Hospitals identified by the MassHealth program as having similar characteristics of treatment and populations. The Hospitals used to calculate the payment are: Braintree Hospital, Franciscan Children's, Radius Specialty, New Bedford Rehabilitation, New England Sinai, Kindred Hospital Northeast-Stoughton, Kindred Hospital Parkview, Shaughnessy-Kaplan, Spaulding Rehabilitation and Youville Hospital.

D. Provision for Certain Hospitals Subject to Potential Rate Decreases:

In accordance with the General Appropriation Act for fiscal year 2007, any hospital whose inpatient rate of payment under the payment methodology described herein for hospital fiscal year 2007, would otherwise be less than the rate in effect during hospital fiscal year 2006, shall continue to be paid at the applicable inpatient rate of payment in effect during hospital fiscal year 2006.

Hospitals subject to a potential decrease in their Inpatient Per Diem Rate would continue to be paid at the Inpatient Per Diem Rate in effect during the prior hospital fiscal year.