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**State/Territory Name: MA**

**State Plan Amendment (SPA) #: 17-0017**

This file contains the following documents in the order listed:

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, MD 21244-1850

CENTERS FOR MEDICARE & MEDICAID SERVICES
CENTER FOR MEDICAID & CHIP SERVICES

**Financial Management Group**

August 23, 2018

Marylou Sudders, Secretary
Executive Office of Health and Human Services
State of Massachusetts
One Ashburton Place, Room 1109
Boston, MA 02108

AUG 2 3 2018

RE: Massachusetts 17-0017

Dear Secretary Sudders:

We have reviewed the proposed amendment to Attachments 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 17-0017. This amendment proposes comprehensive changes to rate year (RY) 2018 reimbursement methodology for three (3) distinct type of private inpatient chronic disease and rehabilitation (CDR) hospital services (specified, pediatric, and all other non-pediatric) resulting in a total increase of $19.2M. It specifies: RY 2018 updates to base per diem rates; the increase of short-stay and addition of long-stay administrative day rates to qualifying providers; and Quality Performance Incentive Enhanced payments.

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 17-0017 is approved effective October 1, 2017. 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,

[redacted]

Kristin Fan
Director

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: 17 — 017

2. STATE: MA

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
CENTERS FOR MEDICARE & MEDICAID SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE: 10/1/17

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: 42 CFR 447.250 et seq

7. FEDERAL BUDGET IMPACT
a. FFY 2018 $ ~~10.2 million~~ 10.8 million
b. FFY 2019 $ ~~10.2 million~~ 10.8 million

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A (2a), pp 1-26

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*: Attachment 4.19-A (2a) pp 1-13i
Attachment 4.19-A (2a) pp 4a
Attachment 4.19-A (2a) pp.14-17

10. SUBJECT OF AMENDMENT

Chronic Disease and Rehabilitation Inpatient 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)(i)*

12. SIGNATURE OF STATE AGENCY OFFICIAL
[redacted]

13. TYPED NAME
Marylou Sudders

14. TITLE
Secretary

15. DATE SUBMITTED
12/29/17

16. RETURN TO
Kaela Konefal
State Plan Coordinator
Executive Office of Health and Human Services
Office of Medicaid
One Ashburton Place, 11th Floor
Boston, MA 02108

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED

18. DATE APPROVED
AUG ~~28~~ 2018

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL
~~OCT 01 2017~~
OCT 01 2017

20. SIGNATURE OF REGIONAL OFFICIAL
[redacted]

21. TYPED NAME
Kristin Fan

22. TITLE
Director, FMG

23. REMARKS

FORM CMS-179 (07/92)

***Instructions on Back***

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

## 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) to establish rates of payment by contract for services rendered by chronic disease and rehabilitation hospitals to patients entitled to medical assistance under M.G.L. c. 118E, §1 *et seq.*

**A. Chief Components:** The payment methods described in this attachment result in a comprehensive per-diem rate for each participating hospital. The daily rate applicable to each hospital covers both routine and ancillary services provided to inpatients

**B. Patients Transferred from State Facilities:** The following describes the payment method for Privately-Owned Chronic Disease and Rehabilitation Hospital services provided to former patients of Lakeville Hospital, a State-Owned Nonacute Hospital that has been closed.

The rate of payment in connection with this state facility closure has been set based on allowable actual costs under the methodology described herein and expenses that must be incurred by a provider in order to serve the particular patients transferred from this state facility. The Division of Health Care Finance and Policy (DHCFP) reviewed the budget costs of the hospital to which patients were to be transferred and found them to meet the reasonableness standards of the DHCFP rate methodology. Pursuant to such rate setting, the provider must demonstrate that items and services, furnished because of the special needs of the patients transferred, are necessary in the efficient delivery of necessary health care.

**C. Provisions for a Hospital with no fewer than 500 Licensed Beds as of June 30, 2005**

This section establishes payments for inpatient care to a privately-owned health care facility licensed by the Department of Public Health as a non-acute chronic hospital with no fewer than 500 licensed beds as of June 30, 2005, with no fewer than 150,000 Medicaid patient days in the state fiscal year ended June 30, 2006, and with an established geriatric teaching program for physicians, medical students, and other health professionals.

The hospital is paid one of two per diem rates for inpatient care. Per Diem Rate 2 is for more complex care patients. In order to bill for payment at Per Diem Rate 2, the hospital must obtain prior authorization of the admission and continuing inpatient stay from the Office of Medicaid or its designated screening entity based on services ordered by a physician and documented in the medical record showing a

need for daily physician intervention, 24 hour care or intensive multidisciplinary rehabilitation overseen by a physician board certified in rehabilitation medicine

1. Inpatient Per Diem Rates

The Inpatient Per Diem Rates are all-inclusive daily rates paid for any, and all, inpatient care and services. A rate adjustment may be incorporated whenever attributable to cost misreporting, audit findings, non-allowable cost, adjustments required under M.G.L. The Inpatient Per Diem Rates are derived using the following methods:

a. Per Diem Rate 1: the per diem rate is derived by using the following method: the sum of a hospital's base year operating costs and the allowable capital costs , divided by a hospital's base year patient days, inflated by the Adjustment to Base Year Operating and Capital Costs.

i. Data Sources.

1. The base year for inpatient costs is the hospital fiscal year (HFY) 2016. The MassHealth program utilizes the costs, statistics and revenue reported in the HFY 2016 Massachusetts Hospital Cost Report filed with the Center for Health Information Analysis (CHIA).

2. Inpatient costs include only costs incurred or to be incurred in the provision of hospital care and services, supplies and accommodations and determined in accordance with the Principles of Reimbursement for Provider Costs under 42 U.S.C. §§1395 et seq. as set forth in 42 CFR 413 et seq. and the Provider Reimbursement Manual, the HURM Manual, and Generally Accepted Accounting Principles. All references to tabs, columns and lines refer to the Massachusetts Hospital Cost Report filed with and reviewed by CHIA. Except where noted, all references are to the HFY 2016 version of the Massachusetts Hospital Cost Report.

3. The calculations use costs and statistics, as adjusted as a result of audits or reviews conducted by EOHHS. The MassHealth program may also request additional information, data and documentation from the hospital or CHIA as necessary to calculate rates.

4. If the specified data source is unavailable or inadequate, the MassHealth program will determine and use the best alternative data source and/or it may perform a statistical analysis to ensure comparability of data. If required information is not furnished by a hospital within the applicable time period, it may not receive any

increase to its rate.

ii. 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.

1. Inpatient Direct Routine Costs. Inpatient Direct Routine Costs are the Total Inpatient Routine Costs derived from the Massachusetts Hospital Cost Report.

2. Inpatient Direct Ancillary Costs. Inpatient Direct Ancillary Costs are the Total Inpatient Ancillary Costs derived from the Massachusetts Hospital Cost Report.

3. Inpatient Overhead Costs. Inpatient Overhead Costs are the Total Inpatient Overhead Costs derived from the Massachusetts Hospital Cost Report.

iii. 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 (Tab 2 Line 30.04 Column 8) by the total inpatient days (Tab 3 Line 3.01 Column 4).

iv. Inpatient Capital Costs: Base year capital costs consist of the hospital's actual HFY 2016 patient care capital requirement for historical depreciation for building and fixed equipment; reasonable interest expenses; amortization and; leases and rental of facilities (Tab 17 Line 30.04 Column 1 minus Tab 18 Line 30.04 Column 1).

v. 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 (Tab 3 Line 3.01 Column 4).

vi. Adjustments to Base Year Costs. The update factor, covering the period from the base year to the rate year beginning October 1, 2018, is 3.0%.

b. Per Diem Rate 2: Per Diem Rate 2 is determined by averaging the current rate year 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 Rehabilitation Hospital, New Bedford Rehabilitation

Hospital, New England Sinai Hospital, Kindred Hospital Northeast, Vibra Hospital of Western Mass., Spaulding Rehabilitation-Boston and Spaulding Hospital-Cambridge. This rate is comprehensive and all-inclusive covering both routine and ancillary services provided to inpatients by the hospital.

c. Quality Performance Incentive Payment. Subject to compliance with all applicable federal statutes, regulations, and state plan provisions in RY 2018, EOHHS will make $1.333M in total aggregate quality performance supplemental payments to qualifying CDR hospitals, as described herein:

i. Qualification. In order to qualify for a Quality Performance Supplemental Payment, a qualifying CDR hospital must meet the following criteria:

1. Be a CDR Inpatient Hospital located in Massachusetts with no fewer than 500 licensed beds as of June 30, 2005, with no fewer than 150,000 Medicaid patient days in the state fiscal year ended June 30, 2006, and with an established geriatric teaching program for physicians, medical students, and other health professionals, and that serves MassHealth members; and,

2. Have recorded performance, as of February 2, 2017, on the following Centers for Medicare and Medicaid Services (CMS) 2017 Inpatient Rehab Facility Compare and Long Term Care Hospital Compare quality measure that exceeds the national average, as reported by CMS: Percent of Residents or Patients with Pressure Ulcers That Are New or Worsened.

ii. Payment.
EOHHS will issue the RY 2018 Quality Performance Incentive Payment to qualifying CDR Hospitals. Payment to qualifying CDR Hospitals will be made in two installments during RY2018, as follows: January 2018, first payment; April 2018, second payment.

**D. Inpatient Per Diem Rate for Hospitals that Serve Solely Children and Adolescents.**

The following sections describe the methods and rates of payment, effective October 1, 2017, for services rendered by chronic disease and rehabilitation (CDR hospitals) that serve solely children and adolescents (Pediatric CDR Hospitals).

1. Inpatient Per Diem Rate.

The Inpatient Per Diem Rate is an all-inclusive daily rate paid for any, and all, inpatient care and services provided by a Pediatric CDR Hospital to a MassHealth member, with the exception of any, and all, Administrative Days (see Section 2).

The Inpatient Per Diem Rate is derived using the following method: (a) the sum of a hospital's base year inpatient Operating Cost (Section 1, paragraph b.) plus the Adjustment to Base Year Costs (Section 1, paragraph c.) is divided by a hospital's base year patient days; plus (b) the Allowance for Inpatient Capital are calculated as for RY2012. Then, in accordance with Section 271 of Chapter 224, MassHealth applies a factor of 1.6 times the hospital's rate year 2012 inpatient per diem rate established in RY 2012. After having applied the factor of 1.6 the update factors described in Section 1, paragraph c. and Section 1, paragraph d.iii.for RY14-15 are applied to determine the final per diem.

The administrative day per diem rate is calculated using the methodology described in Section 2 below.

a. Data Sources.

i. The base year for inpatient costs and the outpatient cost-to-charge ratio is the (HFY) 2003. The MassHealth program utilizes the costs, statistics and revenue reported in the HFY 2003 HCFP-403 cost report.

ii. Inpatient costs include only costs incurred or to be incurred in the provision of hospital care and services, supplies and accommodations and determined in accordance with the Principles of Reimbursement for Provider Costs under 42 U.S.C. §§1395 *et seq.* as set forth in 42 CFR 413 *et seq.* and the Provider Reimbursement Manual, the HURM Manual, and Generally Accepted Accounting Principles. All references to specific schedules, columns and lines refer to the HCFP-403 report filed with and reviewed by the Division of Health Care Finance and Policy (DHCFP). Except where noted, all references are to the HFY 2003 version of the HCFP-403.

iii. The calculations use each hospital's costs and statistics, as adjusted as a result of prior audits or reviews conducted by DHCFP or successor agency. The MassHealth program may also request additional information, data and documentation from a hospital or DHCFP or successor agency as necessary to calculate rates.

iv. If the specified data source is unavailable or inadequate, the MassHealth program will determine and use the best alternative data source and/or it may perform a statistical analysis to ensure comparability of data. If required information is not furnished by a hospital within the applicable time period, it may not receive any increase to its rate.

b. Determination of Base Year Inpatient Operating Costs.

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

i. Inpatient Direct Routine Costs. Inpatient Direct Routine Costs are a hospital's Total Inpatient Routine Costs derived from the HCFP-403.

ii. Inpatient Direct Ancillary Costs. Inpatient Direct Ancillary Costs are calculated as follows:

Inpatient Direct Ancillary Costs are calculated by multiplying each hospital's chronic and rehabilitation inpatient ancillary expenses times the ratio of Total Direct Ancillary Expenses to Total Ancillary Expenses (including overhead). The resulting product constitutes the Total Inpatient Direct Ancillary Cost. For hospitals that reported costs in Sch. XIV, Column 2, Line 15 (Central Service/Supplies) and/or Column 2, Line 16 (Pharmacy), those costs are removed from Overhead costs and reclassified to Ancillary costs pursuant to Section I.D.1.b.iii.a.

iii. Total Inpatient Overhead. Total Inpatient Overhead is calculated by comparing Total Inpatient Overhead to an efficiency standard as described below.

a. A HFY 2003 Inpatient Overhead per diem amount is computed for each hospital as follows:

1. Inpatient Routine Overhead cost is calculated by subtracting Direct Inpatient Routine Cost from Inpatient Routine Cost after step-down of overhead.

2. Inpatient Ancillary Overhead Cost is calculated by subtracting the Total Inpatient Direct Ancillary Cost determined in Section 1, paragraph b.ii from the Total Chronic and Rehabilitation Inpatient Ancillary Expenses reported on the HCFP-403.

3. The Central Service and Supplies and Pharmacy expenses are then reclassified to Ancillary costs as follows:

The Central Service/Supplies Direct Expense is multiplied by the ratio of the inpatient medical supplies patient service statistics to the total medical supplies patient service statistics, all as derived from the HCFP-403 report.

The Pharmacy Direct Expense is multiplied by the ratio of the inpatient drug patient service statistics to the total drug patient service statistics, all as derived from the HCFP-403 report.

The two products of these calculations are then added together to equal the Total Inpatient CSS and Pharmacy Expense.

4. The Allowable Chronic Disease and Rehab Inpatient Overhead Expense is then determined by adding together the amounts in i. and ii (above) and subtracting from this the amount determined in iii (above). The resulting amount is then divided by HFY 2003 Patient Days.

b. The efficiency standards for pediatric CDR hospitals are determined as follows:

The chronic disease hospital group consists of Kindred Hospital Northeast, Franciscan Hospital for Children, Radius Specialty Hospital, New England Sinai Hospital, Spaulding Hospital-North Shore, Vibra Hospital of Western Mass and Spaulding Hospital-Cambridge.

The Inpatient Overhead Per Diem Cost for each chronic disease hospital in the chronic disease hospital group is calculated and the median is set as the efficiency standard for pediatric CDR hospitals.

c. If a pediatric CDR hospital's Total Inpatient Overhead Per Diem Cost does not exceed the appropriate efficiency standard, its Total Inpatient Overhead Cost is calculated pursuant to Section I.D.1.b.iii.a., without further adjustment.

d. If a pediatric CDR hospital's Total Inpatient Overhead Per Diem Cost exceeds the appropriate efficiency standard, the hospital's Total Inpatient Overhead Cost is the efficiency standard multiplied by HFY 2003 Patient Days.

c. Adjustment to Base Year Operating Costs. Total Inpatient Routine Direct Costs, Total Inpatient Ancillary Direct Costs, and Total Inpatient Overhead Costs are updated using a composite index comprised of two cost categories: labor and non-labor. The categories are weighted according to the weights used by CMS for PPS-excluded hospitals. The inflation proxy for the labor cost category is the Massachusetts Consumer Price Index (optimistic forecast). The inflation proxy for the non-labor cost category is the non-labor portion of the CMS market basket for

hospitals. The year-to-year update factors used in the rate calculation are 2003-2004 2.21%; 2004-2005 1.198%; 2005-2006 1.84%; 2006-2007 1.637%; 2007-2008 1.588%; 2008-2009 1.459%; 2009-2010 0.516%; 2012-2013 1.643%; 2013-2014 0.00; 2014-2015 1.672%; 2015-2016 0.0%; and 2016-2017 0.0%.

d. Allowance for Inpatient Capital.

i. Each hospital's base year capital costs consist of the hospital's actual HFY 2003 patient care capital requirement for historical depreciation for building and fixed equipment; reasonable interest expenses; amortization and; leases and rental of facilities.

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

a. 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.

b. 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.

c. 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.

iii. Each hospital's base year inpatient unit capital cost equals the base year inpatient capital cost divided by the greater of: (i) the actual base year routine patient days; or (ii) eighty-five percent (85%) of base year maximum licensed bed capacity, measured in days. The CMS Capital Input Price Index adjusts the base year inpatient unit capital cost to determine the Inpatient Unit Capital amount. The year-to-year update factors used in the rate calculation are 2003-2004 .7%; 2004-2005 .7%; 2005-2006 .7%; 2006-2007 .8%; 2008-2009 .7%; 2009-2010 1.2%; 2012-2013 1.2%; 2013-2014 0.0%; 2014-2015 1.5%; 2015-2016 0.0%; and 2016-2017 0.0%.

iv. The Inpatient Unit Capital amounts of all chronic hospitals in the Chronic Disease Hospital Group as set forth at Section I.D.1.b.iii.b. is calculated and the median is set as the efficiency standard, which serves as the Pediatric Chronic Disease Hospital Allowance for Inpatient Capital.

2. Determination of Rate for Administrative Day Patients.

A Pediatric CDR 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 three components: a statewide AD routine per diem amount, a statewide AD ancillary per diem amount and a hospital-specific supplementary per diem amount. The statewide AD routine per diem amount is derived from the weighted average Medicaid payment rate for case mix category T (10) patients in nursing facilities in 2003. The statewide AD ancillary per diem amount is derived from the statewide weighted average Medicaid ancillary payment for AD patients in Chronic Disease and Rehabilitation Hospitals in FY 2003. The sum of the statewide AD routine and ancillary per diem amounts for RY 2018 is $513.05. For RY 2018, the supplementary per diem amount for each hospital is the AD routine and ancillary per diem amount of $513.05 increased by 80% of the difference between each hospital's Inpatient Per Diem Rate and the statewide AD routine and ancillary per diem amount of $513.05.

3. Quality Performance Incentive Payments.

Subject to compliance with all applicable federal statutes, regulations, and state plan provisions in RY 2018 EOHHS will make a total aggregate amount of $500,000 available for Quality Performance Supplemental Payments to qualifying Pediatric CDR Hospitals, and as described below:

i. Qualification. In order to qualify for Quality Performance Incentive Payments, a Pediatric CDR Hospital must meet the following criteria:

a. Be a chronic disease and rehabilitation hospital that serves solely children and adolescents that is located in Massachusetts and serving MassHealth members;

b. For Quality Performance Incentive Payment A., have recorded performance, as of October 1, 2017, that meets or exceeds the Performance Measurement A criteria described in Section 3.ii.a. below, for the following measures, as reported by The Children's Hospitals' Solutions for Patient Safety National Children's Network:

1. The number of falls with injury of moderate or greater severity;

2. Rate of Adverse Drug Events (ADE) per 1,000 patient days.

c. For Quality Performance Incentive Payment B, have recorded performance as of October 1, 2017 that meets or exceeds the Performance Measurement B criteria described in Section 3.ii.b., below on the following measures, as reported by The Joint Commission:

1. Admission Screening for Violence Risk, Substance Use, Psychological Trauma History and Patient Strengths Completed – Children (1 through 12 years), as described in the Specifications Manual for Joint Commission National Quality Measures HBIPS-1b;

2. Admission Screening for Violence Risk, Substance Use, Psychological Trauma History and Patient Strengths Completed Adolescent (13 through 17 years), as described in the Specifications Manual for Joint Commission National Quality Measures HBIPS-1c.

ii. Performance Measurements.

a. Performance Measurement A. Performance will be measured based on an average of the most recent three months of data that has been submitted to The Children's Hospitals' Solutions for Patient Safety, National Children's Network, as of July 31, 2017.

1. The number of falls with injury of moderate or greater severity is at or below 0.1; and,

2. The average rate of Adverse Drug Events (ADE) per 1,000 patient days is at or below 0.125 per 1000 patient days.

b. Performance Measurement B. Performance as reported by the Joint Commission for the full calendar quarter as of December 31, 2016, on the following measures:

1. 80% for Admission Screening For Violence Risk, Substance Use, Psychological Trauma History and Patient Strengths Completed – Children (1 through 12 years), as described in the Specifications Manual for Joint Commission National Quality Measures HBIPS-

1b;

2. 80% for Admission Screening for Violence Risk, Substance Use, Psychological Trauma History and Patient Strengths – Completed Adolescent (13 through 17 years), as described in the Specifications Manual for Joint Commission National Quality Measures HBIPS-1c.

iii. Payment.

a. EOHHS will issue the RY2018 Quality Performance Incentive Payment A in a total aggregate amount of $300,000 and apportioned equally across the Pediatric CDR Hospitals that qualify for Payment A. Payment will be issued in two installments during RY 18 as follows: January 2018 and April 2018.

b. EOHHS will issue the RY2018 Quality Performance Incentive Payment B in a total aggregate amount of $200,000 and apportioned equally across the Pediatric CDR Hospitals that qualify for Payment B. Payment will be issued in one payment during April 2018.

**E. Determination of Inpatient Hospital Rate for Out-of-State Chronic Disease or Rehabilitation Hospitals**

Payment to an out-of-state chronic disease or rehabilitation hospital for any Inpatient Service payable by the MassHealth agency is the lowest of:

a. The rate of payment established for the medical service under the other state's Medicaid program;
b. The MassHealth rate of payment established for such medical service or comparable medical service in Massachusetts; or
c. The MassHealth rate of payment established for a comparable provider in Massachusetts.

When MassHealth is not able to determine the other state's inpatient rate, it pays out-of state chronic disease or rehabilitation hospitals a rate comparable to the median or weighted average in-state rate for comparable Hospitals.

## II. Definitions

**Administrative Day (AD).** An inpatient day spent in a hospital by a patient who has been identified by the Executive Office of Health and Human Services (EOHHS), or its designee or by the Department of Public Health (DPH), or any combination of these organizations as a patient not requiring hospital level of care.

**Administrative Day Per-diem Rate (AD Rate).** An all-inclusive daily rate of payment paid to hospitals for Administrative Days. There are two AD payment rates for non-Pediatric CDR Hospitals paid under Section III: one for short-stay Administrative Days and one for long-stay Administrative Days. There is one AD payment rate for CDR Hospitals paid under Section I.C. and one AD payment rate for Pediatric CDR Hospitals under Section I.D.

**Base Year.** The base year is year identified in each payment section as the base year (See Section I.C. Section I.D., and Section III.

**Center for Health Information and Analysis (CHIA)** – An agency of the Commonwealth of Massachusetts established under M.G.L. .c 12C.

**Chronic Disease and Rehabilitation Hospital (Hospital).** A hospital facility licensed by the Massachusetts Department of Public Health under M.G.L. c. 111, §51, with a majority of its beds providing chronic care services and/or comprehensive rehabilitation services to patients with appropriate medical needs. This definition includes such a facility licensed with a pediatric specialty. Hospitals with 50 percent or more of their beds licensed as medical/surgical, intensive care, coronary care, burn, maternal (obstetrics) and neonatal intensive care beds (Level III) possess acute hospital licensure and do not meet the definition of a chronic Disease and Rehabilitation Hospital.

**Department of Public Health (DPH).** An agency of the Commonwealth of Massachusetts, Executive Office of Health and Human Services established under M.G.L. c. 17, §1.

**Direct Cost.** The patient care costs of a cost center exclusive of overhead and capital.

**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 and from 2003 until the passage of Chapter 224 of the Acts of 2012. EOHHS is DHCFP's successor agency for rate setting functions, and the Center for Health Information and Analysis is DHCFP's successor agency for certain other functions. All references to DHCFP or DHCFP regulations also refer to the applicable successor.

**Executive Office of Health and Human Services (EOHHS).** The single state agency that is responsible for the administration of the MassHealth program, pursuant to M.G.L. c. 118E and Titles XIX and XXI of the Social Security Act and other applicable laws and waivers.

**Hospital Fiscal Year (HFY).** The fiscal year used by an individual hospital.

**HURM Manual.** The Commonwealth of Massachusetts Hospital Uniform Reporting Manual promulgated by DHCFP under 101 CMR 42.00.

**Inpatient Per-diem Rate.** An all-inclusive daily rate of payment for any and all Inpatient Services provided to a Recipient by a hospital.

**Inpatient Services.** Routine and ancillary services that are provided to Recipients admitted as patients to a Chronic Disease and Rehabilitation Hospital.

**MassHealth Program (also MassHealth or 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 MassHealth Program.

**Overhead.** Overhead consists of expenses for fringe benefits, administration, plant maintenance and repairs, plant operations, laundry, housekeeping, cafeteria, dietary, maintenance personnel, nursing administration, and in-service education, RN and LPN education, medical staff teaching and administration, post-graduate medical education, central service and supplies, pharmacy, medical records, medical care review, and social services.

**Pediatric Chronic Disease and Rehabilitation Hospital (Pediatric CDR Hospital)** – A hospital licensed by the Massachusetts Department of Public Health under M.G.L. c.111, §51, with a majority of its beds licensed to provide chronic care services and/or comprehensive rehabilitation services to patients with appropriate medical needs and licensed with a pediatric specialty that serves solely children and adolescents. Hospitals with 50 percent or more of their beds licensed as medical/surgical, intensive care, coronary care, burn, maternal (obstetrics) and neonatal intensive care beds (Level III) possess acute hospital licensure and do not meet the definition of a Chronic Disease and Rehabilitation Hospital.

**Rate Year (RY).** The period beginning October 1 and ending September 30.

## III. Medicaid Payment Methodology for Privately-Owned Chronic Disease and Rehabilitation Hospitals

### A. Determination of Inpatient Per-diem Rate

The Inpatient Per-diem Rate is an all-inclusive daily rate paid for any and all inpatient care and services provided by a hospital to a MassHealth Member, except for any and all Administrative Days (see Section III.C). The Inpatient Per-diem Rate is derived using the following method: (a) the sum of a hospital's base year inpatient Operating Costs (Section III.A.2)and the allowable capital costs (Section III.A.3) divided by a hospital's base year patient days, inflated by the Adjustment to Base Year Costs (Section III.A.4

#### 1. Data Sources

a. The base year for inpatient costs is the Hospital Fiscal Year (HFY) 2014. The Masshealth program uses statistics and revenue reported in the HFY 2014 CHIA D403 cost report.

b. Inpatient costs include only costs incurred or to be incurred in the provision of hospital care and service, supplies and accommodations and determined according to the Principles of Reimbursement for Provider Costs under 42 U.S.C. §§1395 *et seq.* as set forth in 42 CFR 413 *et seq.*, the Provider Reimbursement Manual, the HURM Manual, and Generally Accepted Accounting Principles. All references to specific schedules, columns and lines refer to the CHIA D403 report filed with and reviewed by the Center for Health Information and Analysis (CHIA). Except where noted, all references are to the HFY 2014 version of the CHIA D403.

c. The calculations use each hospital's costs and statistics, as adjusted as a result of prior audits or reviews conducted by CHIA. The MassHealth program may also request additional information, data and documentation from a hospital or CHIA as necessary to calculate rates.

d. If the specified data source is unavailable or inadequate, the MassHealth program will determine and use the best alternative data source and/or it may perform a statistical analysis to ensure comparability of data. If required information is not furnished by a hospital within the applicable time period, it may not receive any increase to its rate.

#### 2. Determination of Base Year Inpatient Operating Costs.

Base Year Inpatient Operating Costs are the sum of 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 a hospital's Total Inpatient Routine Costs derived from the CHIA D403.

b. **Inpatient Direct Ancillary Costs.** Inpatient Direct Ancillary Costs are calculated as follows:

Inpatient Direct Ancillary Costs are calculated by multiplying each hospital's chronic and rehabilitation inpatient ancillary expenses times the ratio of Total Direct Ancillary Expenses to Total Ancillary Expenses (including overhead). The resulting product constitutes the Total Inpatient Direct Ancillary Cost.

c. **Total Inpatient Overhead**. Total Inpatient Overhead Costs are calculated as follows:

i. Inpatient Routine Overhead cost is calculated by subtracting Inpatient Direct Routine Cost from Inpatient Routine Cost after step-down of overhead.
ii. Inpatient Ancillary Overhead Cost is calculated by subtracting the Total Inpatient Direct Ancillary Cost determined in Section III, paragraph 2.b. from the Total Chronic and Rehabilitation Inpatient Ancillary Expenses reported on the CHIA D403.
iii. The Allowable Chronic Disease and Rehab Inpatient Overhead Expense is then determined by adding together the amounts in 1. and 2. (above).

## 3. Allowance for Inpatient Capital

a. Each hospital's base year capital costs consist of the hospital's actual HFY 2014 patient care capital requirement for historical depreciation for: building and fixed equipment; reasonable interest expenses; amortization and leases; and rental of facilities, subject to the limitations described below.

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 proposed 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 immediate prior owner. The depreciation expense is calculated using the full useful lives of the assets.

iii. All costs (including legal fees, accounting costs, 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

c. Each hospital's base-year inpatient unit capital cost equals the base-year inpatient capital cost divided by the actual base-year routine patient days.

d. The Inpatient Unit Capital amounts of all chronic hospitals in the Chronic Disease Hospital Group (below) are calculated and the median is set as the efficiency standard, which serves as the Chronic Disease Hospital Allowance for Inpatient Capital. Each chronic hospital in the Chronic Disease Hospital Group will be paid the lower of their actual costs or the Chronic Disease Hospital Allowance for Inpatient Capital.

The Chronic Disease Hospital Group consists of Curahealth Hospital Stoughton, New England Sinai Hospital, Vibra Hospital of Western Mass, and Spaulding Hospital-Cambridge.

e. The Inpatient Unit Capital amounts of all rehabilitation hospitals in the Rehabilitation Hospital Group (below) are calculated and the median is set as the efficiency standard, which serves as the Rehabilitation Hospital Allowance for Inpatient Capital. Each rehabilitation hospital in the Rehabilitation Hospital Group will be paid the lower of their actual costs or the Rehabilitation Hospital Allowance for Inpatient Capital.

The Rehabilitation Hospital Group consists of Braintree Rehabilitation, HealthSouth Fairlawn Hospital, New Bedford Rehabilitation Hospital, New England Rehabilitation Hospital, Spaulding Hospital-Cape Cod, HealthSouth Hospital of Western Massachusetts, Spaulding

Rehabilitation Hospital-Boston, Whittier Rehabilitation Hospital-Bradford and Whittier Rehabilitation Hospital-Westborough.

**4. Adjustment to Base Year Operating and Capital Costs.**

Total Base Year Inpatient Operating Costs and Capital Costs are updated using a composite index comprised of two cost categories: labor and non-labor. The categories are weighted according to the weights used by CMS for Inpatient Rehabilitation Facilities (IRF) hospitals. The inflation proxy for the labor cost category is the Massachusetts Consumer Price Index (optimistic forecast). The inflation proxy for the non-labor cost category is the non-labor portion of the CMS IRF-specific market basket. The update factor, covering the period from the base year to the rate year beginning October 1, 2018, is 6.95%.

**B. Determination of Inpatient Rate for New Hospitals (i.e., Newly Licensed as Chronic Disease or Rehabilitation Hospitals after October 1, 2018).**

1. The allowable overhead, routine and ancillary per diem costs will be established at the median of HFY 2014 per diem costs reported by chronic and rehabilitation hospitals, updated by the inflation factor calculated pursuant to Section III.A.4.
2. The allowable capital per diem costs will be established at the efficiency standards as calculated pursuant to Section III.A.3.

**C. Determination of Rate for Administrative Day Patients**

A hospital will be paid for Administrative Days using either a facility-specific short-stay or statewide standard long-stay Administrative Day Per Diem Rate (AD Rate). AD Rates are all-inclusive daily rates.

The short-stay and long-stay AD Rates are based on an AD Base Per Diem Rate comprised of the statewide AD routine per diem amount and the statewide AD ancillary per diem amount. The statewide AD routine per diem amount is derived from the weighted average Medicaid payment rate for case mix category T (10) patients in nursing facilities in 2003. The statewide AD ancillary per diem amount is derived from the statewide weighted average Medicaid ancillary payment for AD patients in Chronic Disease and Rehabilitation Hospitals in FY 2003. The sum of the routine per diem and ancillary add-on amount equals $513.05 which is then inflated by 6.95%, resulting in a RY 2018 AD base per diem rate of $548.71.

For RY 2018, the short-stay AD per diem rate is the AD base per diem rate of $548.71 increased by 64% of the difference between each hospital's Inpatient Per Diem Rate and the AD base per diem rate.

For RY 2018, the long-stay AD per diem rate is the AD base per diem rate of $548.71 increased by 35%, for a single statewide per diem rate of $740.75.

**D. Quality Performance Supplemental Payments to CDR Hospitals other than Pediatric CDR Hospitals**

Subject to compliance with all applicable federal statutes, regulations, and state plan provisions in RY 2018 EOHHS will make a total aggregate amount of $2.959 Million available for Quality Performance Supplemental Payments to qualifying CDR Hospitals, as described below:

1. **Qualification.** In order to qualify for a Quality Performance Supplemental Payment for RY 2018, a CDR hospital must meet the following criteria:

    a. Be a CDR Hospital (other than a Pediatric CDR Hospital) located in Massachusetts and serve MassHealth members; and

    b. Have recorded performance, as of February 2, 2017, on the following two Centers for Medicare and Medicaid Services (CMS) 2017 Inpatient Rehabilitation Facility Compare and Long Term Care Hospital Compare measures, as reported by CMS:

        i. Quality Measure 1: Percent of Residents or Patients with Pressure Ulcers That Are New or Worsened; and

        ii. Quality Measure 2: All-Cause Unplanned Readmission Measure for 30 Days Post Discharge from Inpatient Rehabilitation Facilities or Long Term Care Hospitals.

2. **Performance Measurement.** Performance for qualifying CDR hospitals is measured based on a point based scoring system with a maximum score of 4 points.

    a. CDR hospitals that are located in Massachusetts and serve MassHealth Members earn 1 point.

    b. Quality Measure 1: CDR hospitals that performed:

        i. above the national average earn 1 point;

        ii. consistent with the national average earn 0 points; and

        iii. below the national average earn -1 point;

c. Quality Measure 2: CDR hospitals that performed:

i. above the national average earn 2 points;

ii. consistent with the national average earn 0 points; and

iii. below the national average earn -2 point.

**3.** Calculation of the Quality Performance Supplemental Payment. EOHHS will calculate the amount of each qualifying CDR Hospital's Quality Performance Supplemental Payment as follows:

a. EOHHS will determine each qualifying CDR Hospital's total performance measurement point value.

b. The total performance measurement points earned by each qualifying CDR Hospitals will be multiplied by the qualifying CDR Hospital's total number of Massachusetts non-managed care days, excluding those days related to administrative days, paid to the qualifying CDR hospital in state fiscal year (SFY) 2016 as determined by EOHHS. This step yields the total adjusted performance measurement point value for each qualifying CDR Hospital.

c. EOHHS will divide each qualifying CDR hospital's total adjusted performance measurement point value from 3.b. above by the statewide sum of the adjusted point performance measurement point values for all qualified CDR hospitals identified in 3.b. above.

d. Each qualifying CDR Hospital's Quality Performance Supplemental Payment equals the ratio determined in 3.c. above times $2.959 million.

**4.** Payment. EOHHS will issue the RY2018 Quality Performance Supplemental Payment to qualifying CDR Hospitals in three installments during RY2018 as follows: October 2017, first payment; January 2018, second payment; April 2018, third payment.

## IV. Pediatric Outlier:

### A. For Infants Less Than One Year of Age

1. In accordance with section 1902 of the Social Security Act, as amended by Section 4604 of OBRA 90, effective July 1, 1991, the Commonwealth will make an annual payment adjustment to Privately-owned Chronic/Rehabilitation Hospitals for inpatient hospital services furnished to infants less than one year of age involving exceptionally high costs or exceptionally long lengths of stay.

2. **Determination of Eligibility.** Determination of eligibility for infants less than one year of age shall be made as follows:

   a. **Exceptionally long lengths of stay.**

      (i) First, calculate the statewide weighted average Medicaid inpatient length-of-stay. This shall be determined by dividing the sum of Medicaid days for all Privately-owned Chronic/Rehabilitation Hospitals in the state by the sum of total discharges for all Privately-owned Chronic Disease and Rehabilitation Hospitals.

      (ii) Second, calculate the statewide weighted standard deviation for Medicaid inpatient length-of-stay statistics.

      (iii) Third, add one and one-half times the statewide weighted standard deviation for Medicaid inpatient length-of-stay to the statewide weighted average Medicaid inpatient length-of-stay. Any stay equal to or lengthier than the sum of these two numbers shall constitute an exceptionally long length-of-stay for purposes of payment adjustments under this section.

   b. **Exceptionally High Cost.** For each Privately-owned Chronic/Rehabilitation Hospital providing services on or after July 1, 1991 to individuals under one year of age the Commonwealth shall:

      (i) First, calculate the average cost per Medicaid inpatient discharge for each hospital;

      (ii) Second, calculate the standard deviation for the cost per Medicaid inpatient discharge for each hospital;

      (iii) Third, add one and one-half times the hospital's standard deviation for the cost per Medicaid inpatient discharge to the hospital's average cost per Medicaid inpatient discharge. Any cost that equals or exceeds the sum of these two numbers shall constitute an exceptionally high cost for purposes of payment adjustments.

(a) The amount of funds allocated shall be twenty five thousand dollars ($25,000) annually. This includes Chronic/Rehabilitation, Psychiatric and State-Owned Non-acute hospitals.

(b) Any hospital that qualifies for a payment adjustment for infants less than one year of age shall receive one percent of the total funds allocated for such payments. In the event that the payments to qualifying Privately-owned Chronic/Rehabilitation Hospitals would exceed the total, each share shall be proportionately reduced to stay within the allocation.

## B. Children under age Six

1. **Eligibility for Payment**. Consistent with section 4604 of the Omnibus Reconciliation Act of 1990 (OBRA 90) outlier adjustments for medically necessary inpatient hospital services, effective July 1, 1991, involving exceptionally high costs or exceptionally long lengths of stay (as defined in sections V. A. 2a. and 2b. of this Plan) are extended to services for children who have not reached the age of six, if provided by a hospital which qualifies as a disproportionate share hospital under Section 1923 (a) of the Social Security Act.

2. **Amount of Payment Adjustment**

   a. The amount of funds allocated shall be twenty five thousand dollars ($25,000) annually. This includes Chronic/Rehabilitation, Psychiatric and State-Owned Non-acute hospitals.

   b. Any hospital that qualifies for a payment adjustment for children under six, pursuant to Section V. A.1. above, shall receive one percent of the total funds allocated for such payments. In the event that the payments to qualifying Privately-owned Chronic/Rehabilitation Hospitals would exceed the total, each share shall be proportionately reduced to stay within the allocation.

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

## V. Provider Preventable Conditions

**Citation**
42 CFR 447, 434, 438, and 1902(a)(4), 1902(a)(6), and 1903

**Payment Adjustment for Provider Preventable Conditions**

The Medicaid agency meets the requirements of 42 CFR Part 447, Subpart A, and sections 1902(a)(4),1902(a)(6), and 1903 with respect to non-payment for provider-preventable conditions.

Health Care-Acquired Conditions

The State identifies the following Health Care-Acquired Conditions for non-payment under Attachment 4.19-A(2a) (Privately-Owned Chronic Disease and Rehabilitation Inpatient Hospital Services) of this State plan where applicable.

☒ Hospital-Acquired Conditions as identified by Medicare other than Deep Vein Thrombosis (DVT)/Pulmonary Embolism (PE) following total knee replacement or hip replacement surgery in pediatric and obstetric patients.

Other Provider-Preventable Conditions

The State identifies the following Other Provider-Preventable Conditions for non-payment under Attachment 4.19-A(2a) (Privately-Owned Chronic Disease and Rehabilitation Inpatient Hospital Services) of this State plan where applicable.

☒ Wrong surgical or other invasive procedure performed on a patient; surgical or other invasive procedure performed on the wrong body part; surgical or other invasive procedure performed on the wrong patient.

☒Additional Other Provider-Preventable Conditions identified below:

1. Intraoperative or immediately postoperative / post procedure death in a ASA class 1 patient.
2. Patient death or serious injury associated with the use of contaminated drugs, devices or biologics provided by the healthcare setting.
3. Patient death or serious injury associated with the use or function of a device in patient care, in which the device is used or functions other than as intended.
4. Patient death or serious injury associated with patient elopement (disappearance)
5. Patient suicide, attempted suicide, or self-harm resulting in serious injury, while being cared for in a healthcare setting.
6. Patient death or serious injury associated with a medication error (e.g., errors involving the wrong drug, wrong dose, wrong patient, wrong time, wrong rate, wrong preparation or wrong route of administration)
7. Maternal death or serious injury associated with labor or delivery in a low-risk pregnancy while being cared for in a healthcare setting.
8. Death or serious injury of a neonate associated with labor and delivery in a low-risk delivery.

9. Unstageable pressure ulcer acquired after admission / presentation in a healthcare setting.
10. Patient death or serious injury resulting from the irretrievable loss of an irreplaceable biological specimen.
11. Patient death or serious injury resulting from failure to follow up or communicate laboratory, pathology, or radiology test results.
12. Death or serious injury of a patient or staff associated with the introduction of a metallic object into the MRI area.
13. Patient death or serious injury associated with the use of physical restraints or bedrails while being cared for in a health care setting.
14. Death or serious injury of a patient or staff member resulting from a physical assault (i.e., battery) that occurs within or on the grounds of a healthcare setting.

*No reduction in payment for a provider preventable condition will be imposed on a provider when the condition defined as a PPC for a particular patient existed prior to the initiation of treatment for that patient by that provider.*

*Reductions in provider payment may be limited to the extent that the following apply: (i) The identified provider preventable conditions would otherwise result in an increase in payment; (ii) The State can reasonably isolate for nonpayment the portion of the payment directly related to treatment for, and related to, the provider preventable condition.*

*A State plan must ensure that nonpayment for provider-preventable conditions does not prevent access to services for Medicaid beneficiaries.*

Payment Method

EOHHS will pay hospitals in accordance with the requirements of 42 CFR Part 447, Subpart A, and sections 1902(a)(4), 1902(a)(6) and 1903 with respect to non-payment for provider-preventable conditions.

Provider preventable conditions ("PPCs") are defined as those conditions that are identified as Health Care-Acquired Conditions ("HCACs") and Other Provider-Preventable Conditions ("OPPCs") above. The OPPCs include the three National Coverage Determinations (the "NCDs") and the Additional Other Provider Preventable Conditions ("Additional OPPCs") that are listed above.

When a hospital reports a PPC that the hospital indicates was not present on admission, MassHealth will reduce payments to the hospital as follows:

1. Inpatient Per Diem Rate:
   a. MassHealth will not pay the Inpatient Per Diem Rate if the hospital reports that only PPC-related services were delivered on that day and will exclude all reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.
   b. MassHealth will pay the Inpatient Per Diem Rate if the hospital reports that non-PPC related services were also delivered on that day but will exclude all

c. reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.

2. Administrative Per-Diem (AD) Rate:

a. MassHealth will not pay the per diem if the hospital reports that only PPC-related services were delivered on that day, and will exclude all reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.

b. MassHealth will pay the per diem if the hospital reports that non-PPC-related services were also delivered on that day but will exclude all reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.

3. Follow-Up Care in Same Hospital: If a hospital reports that it provided follow-up inpatient hospital services that were solely the result of a previous PPC (inpatient or outpatient) that occurred while the member was being cared for at a facility covered under the same hospital license, MassHealth will not pay for the reported follow-up services. If the hospital reports that non-PPC-related services were provided on any day during the follow-up stay, payment will be made for that day, but MassHealth will exclude all reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.

The federal non-payment provision also applies to third-party liability and crossover payments by MassHealth.

Charges for service, including co-payments or deductibles, deemed non-billable to MassHealth are not billable to the member.

*In the event that individual cases are identified throughout the PPC implementation period, the Commonwealth shall adjust reimbursements according to the methodology above.*

## VI. Serious Reportable Events (SREs)

The non-payment provisions set forth in this Section VI apply to the following serious reportable events (SREs), where applicable:

1. Discharge or release of a patient/resident of any age, who is unable to make decisions, to other than an authorized person.
2. Any incident in which systems designated for oxygen or other gas to be delivered to a patient contains no gas, the wrong gas or are contaminated by toxic substances.
3. Any Instance of care ordered by or provided by someone impersonating a physician, nurse, pharmacist or other licensed health care provider.
4. Abduction of a patient/resident of any age.\
5. Sexual abuse/assault on a patient or staff member within or on the grounds of a health care setting.

Hospitals are prohibited from charging or seeking payment from MassHealth or the Member for hospital services that are made necessary by, or are provided as a result of, a serious reportable event occurring on premises covered under the hospital license that was preventable, within the hospital's control, and unambiguously the result of a system failure, as described in DPH regulations at 105 CMR 130.332 as in effect on the date of service. Non-reimbursable hospital services include:

1. All services provided during the inpatient stay during which a preventable SRE occurred, from the date the SRE occurred through discharge, not to exceed 60 days; and

2. All services provided during readmissions and follow-up outpatient visits as a result of a non-billable SRE provided:

   a. at a facility under the same license as the hospital at which a non-billable SRE occurred; or

   b. on the premises of a separately licensed hospital with common ownership or a common corporate parent of the hospital at which a non-billable SRE occurred.

3. Charges for services, including co-payments or deductibles, deemed non-billable to MassHealth are not billable to the Member.

Non-payment provisions also apply to third-party liability and crossover payments by MassHealth.

A hospital not involved in the occurrence of a preventable SRE that also does not meet the criteria in number 2 above, and that provides inpatient or outpatient services to a patient who previously incurred an SRE may bill MassHealth for all medically necessary services provided to the patient following a preventable SRE.