Table of Contents

State/Territory Name: MA

State Plan Amendment (SPA) #: 18-0001

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

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

Financial Management Group

JUN 26 2018

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

RE: Massachusetts 18-0001

Dear Secretary Sudders:

We have reviewed the proposed amendment to Attachments 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 18-0001. Effective March 1, 2018, this amendment adds an acute inpatient hospital payment method for drugs and biologics that will be carved out of the adjudicated amount per discharge (APAD) payment and separately paid. Additionally, it updates and clarifies coverage pages under Attachments 3.1A and 3.1B of the state plan.

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 18-0001 is approved effective March 1, 2018. 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: 18 — 0 0 1

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: 03/01/18

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 USC 1396a(a)13; 42 CFR Part 447; 42 CFR 440.10

7. FEDERAL BUDGET IMPACT
a. FFY 2018 $ (1.44 million)
b. FFY 2019 $ (2.46 million)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 4.19-A(1), pages 1-18, 18a(NEW), 19-20, 38, and 38a(NEW)

Supplement to Attachment 3.1-A, p. 1
Supplement to Attachment 3.1-B, p. 1

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
Attachment 4.19-A(1), pages 1-18, 19-20, and 38

Supplement to Attachment 3.1-A, p. 1
Supplement to Attachment 3.1-B, p. 1

10. SUBJECT OF AMENDMENT
Acute Inpatient Hospital Services and Payment Methodology for Carve-Out Drugs

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
03/30/18

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
JUN 26 2018

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL
MAR 01 2018

20. SIGNATURE OF REGIONAL OFFICIAL
[redacted]

21. TYPED NAME
Kristin Fan

22. TITLE

23. REMARKS

FORM CMS-179 (07/92)

Instructions on Back

State Plan under Title XIX of the Social Security Act
State: Massachusetts
Amount, Duration, and Scope of Medical
and Remedial Care and Services Provided to the Categorically Needy

Item 1: Inpatient Hospital Services

1. Utilization Management: As a condition of payment, MassHealth requires preadmission screening for all elective admissions to acute hospitals and for all admissions to a chronic disease and rehabilitation hospital, except for members with other insurance (including Medicare).
2. Prior Authorization: MassHealth requires prior authorization for certain acute inpatient hospital services based on medical necessity, including certain drugs and biologics administered in the acute inpatient hospital setting.

State Plan under Title XIX of the Social Security Act
State: Massachusetts
Amount, Duration, and Scope of Medical
and Remedial Care and Services Provided to the Medically Needy

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State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services

II. Definitions

The definitions set forth in the "**1st RY18 Period**" column, below, apply during the **1st RY18 Period** (as defined below). The definitions set forth in the "**2nd RY18 Period**" column, below, apply during the **2nd RY18 Period** (as defined below), unless (i) that column specifies that there is no change to the definition, or (ii) for purposes of the APAD, Outlier Payment, and Transfer per Diem payment methodologies set forth in **Sections III.B** through **III.D**, below, the admission occurred in the 1st RY18 Period, in which case the definitions in the **1st RY18 Period** column continue to apply.

Defined Term	Definition Applicable During 1st RY18 Period	Definition Applicable During 2nd RY18 Period
1st RY18 Period	The "1st RY18 Period" is the portion of RY18 from October 1, 2017 through February 28, 2018.	No change to definition.
2nd RY18 Period	The "2nd RY18 Period" is the portion of RY18 from March 1, 2018 through the end of RY18.	No change to definition.
Accountable Care Organization (ACO)	An entity that enters into a population-based payment model contract with EOHHS as an accountable care organization, where in the entity is held financially accountable for the cost and quality of care for an attributed or enrolled member population. ACOs include Accountable Care Partnership Plans (ACPPs), Primary Care ACOs, and MCO-Administered ACOs.	No change to definition.
Accountable Care Partnership Plan (ACPP)	A type of ACO with which the MassHealth agency contracts under its ACO program to provide, arrange for, and coordinate care and certain other medical services to members on a capitated basis and which is approved by the Massachusetts Division of Insurance as a health-maintenance organization (HMO), and which is organized primarily for the purpose of providing health care	No change to definition.

State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services

Defined Term	Definition Applicable During 1st RY18 Period	Definition Applicable During 2nd RY18 Period
	services.	
Actual Acquisition Cost	Not applicable.	For purposes of **Section III.I.2**, the Hospital's "actual acquisition cost" of the Drug is the Hospital's invoice price for the Drug, net of all on- or off- invoice reductions, discounts, rebates, charge backs and similar adjustments that the Hospital has or will receive from the drug manufacturer or other party for the Drug that was used to treat the Member while the Member was admitted in the Hospital, including any efficacy-, outcome-, or performance-based guarantee (or similar arrangements), whether received pre- or post-payment.
Acute Hospital	See Hospital.	No change to definition.
Adjudicated Payment Amount Per Discharge (APAD)	A Hospital-specific, DRG-specific all-inclusive facility payment for an acute inpatient hospitalization from admission through discharge, which is the complete fee-for-service payment for such acute hospitalization, excluding the additional payment of any Outlier Payment. The APAD is not paid for Administrative Days or for Inpatient Services that are paid on a transfer per diem, psychiatric per diem or rehabilitation per diem basis under this Attachment. Calculation of the APAD is discussed in **Section III.B** (utilizing the 1st RY18 Period methodology).	A Hospital-specific, DRG-specific all-inclusive facility payment for an acute inpatient hospitalization from admission through discharge, which is the complete fee-for-service payment for such acute hospitalization, excluding the additional payment of any Outlier Payment. The APAD is not paid for Administrative Days or for Inpatient Services that are paid on a transfer per diem, psychiatric per diem or rehabilitation per diem basis under this Attachment. The APAD is also not payment for LARC Devices or for APAD Carve-Out Drugs, which may be paid separately as described in **Section III.I**. Calculation of the APAD is discussed in **Section III.B** (utilizing the 2nd RY18 Period methodology).

State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services

Defined Term	Definition Applicable During 1st RY18 Period	Definition Applicable During 2nd RY18 Period
Administrative Day (AD)	A day of inpatient hospitalization on which a Member's care needs can be provided in a setting other than an Acute Hospital, and on which the Member is clinically ready for discharge, but an appropriate institutional or non-institutional setting is not readily available.	No change to definition.
All Patient Refined–Diagnostic Related Group (APR-DRG or DRG)	The All Patient Refined Diagnosis Related Group and Severity of Illness (SOI) assigned using the 3M APR-DRG Grouper, version 33, unless otherwise specified.	The All Patient Refined Diagnosis Related Group and Severity of Illness (SOI) assigned using the 3M APR-DRG Grouper, version 34, unless otherwise specified.
APAD Base Year	The hospital-specific base year for the Adjudicated Payment Amount per Discharge (APAD) is FY12, using FY12 -403 cost reports as screened and updated as of June 9, 2014.	The hospital-specific base year for the Adjudicated Payment Amount per Discharge (APAD) is FY16, using FY16Massachusetts Hospital cost reports as screened and updated as of June 30, 2017.
APAD Carve-Out Drugs	Not applicable.	Drugs that are carved out of the APAD payment and separately paid pursuant to **Section III.I.2.** APAD Carve-Out Drugs are identified on the MassHealth Acute Hospital Carve-Out Drugs List within the MassHealth Drug List.
Average (or Mean) Length of Stay	The sum of non-psychiatric acute inpatient days for relevant discharges, divided by the number of discharges. Average Length of Stay is determined based on MassHealth discharges or all-payer discharges, as specified in this Attachment.	No change to definition.
Behavioral Health (BH) Contractor	The entity with which EOHHS contracts to provide Behavioral Health Services to enrolled Members on a capitated basis, and which meets the definition of prepaid inpatient health plan at 42 C.F.R. §	No change to definition.

State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services

Defined Term	Definition Applicable During 1st RY18 Period	Definition Applicable During 2nd RY18 Period
	438.2.	
Behavioral Health Services	Services provided to Members who are being treated for psychiatric disorders or substance-related disorders.	No change to definition.
Casemix Index	A measure of intensity of services provided by a Hospital to a group of patients, using the APR-DRG methodology, as specified in this Attachment. A Hospital's Casemix Index is calculated by dividing a Hospital's APR-DRG cumulative MassHealth or all-payer weights (using Massachusetts weights) by the Hospital's MassHealth or all-payer discharges. The weight for each APR-DRG is based on Massachusetts data.	No change to definition.
Center for Health Information and Analysis (CHIA)	The Center for Health Information and Analysis established under M.G.L. c. 12C.	No change to definition.
Community-based Physician	Any physician or physician group practice, excluding interns, residents, fellows, and house officers, who is not a Hospital-Based Physician. For purposes of this definition and related provisions, the term physician includes dentists, podiatrists, and osteopaths.	No change to definition.
Contract	See RFA and Contract.	No change to definition.
Critical Access Hospital (CAH)	An acute hospital that, prior to October 1, 2017, was designated by CMS as a Critical Access Hospital, and that continues to maintain that status.	No change to definition.

State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services

Defined Term	Definition Applicable During 1st RY18 Period	Definition Applicable During 2nd RY18 Period
DMH-Licensed Bed	A bed in a Hospital that is located in a unit licensed by the Massachusetts Department of Mental Health (DMH).	No change to definition.
Discharge-Specific Case Cost	The product of the Hospital's MassHealth allowed charges for a specific discharge and the Hospital's inpatient cost to charge ratio as calculated by EOHHS using the Hospital's FY14 -403 cost report.	The product of the Hospital's MassHealth allowed charges for a specific discharge and the Hospital's inpatient cost to charge ratio as calculated by EOHHS using the Hospital's FY16 Massachusetts Hospital cost report. For applicable discharges, a Hospital's charges corresponding to LARC Devices or APAD Carve-Out Drugs are excluded in calculating the Discharge-Specific Case Cost.
Discharge-Specific Outlier Threshold	The sum of the Pre-Adjusted APAD for a specific discharge (utilizing the methodology applicable to the 1st RY18 Period), and the Fixed Outlier Threshold.	The sum of the Pre-Adjusted APAD for a specific discharge (utilizing the methodology applicable to the 2nd RY18 Period), and the Fixed Outlier Threshold.
Drugs	Not applicable.	Drugs and biologics (including, e.g., cell and gene therapies), or any other similar substance containing one or more active ingredients in a specified form and strength. Each dosage form and strength is a separate Drug.
Excluded Units	Non-Acute Units as defined in this section; any unit which has a separate license from the Hospital; psychiatric and substance abuse units; and non-distinct observation units.	No change to definition.
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	No change to definition.

State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services

Defined Term	Definition Applicable During 1st RY18 Period	Definition Applicable During 2nd RY18 Period
	XXI of the Social Security Act and other applicable laws and waivers.	
Fiscal Year (FY)	The time period of 12 months beginning on October 1 of any calendar year and ending on September 30 of the immediately following calendar year. This period coincides with the federal fiscal year (FFY). FY18 begins on October 1, 2017 and ends on September 30, 2018.	No change to definition.
Fixed Outlier Threshold	For the 1st RY18 Period, the Fixed Outlier Threshold for purposes of calculating any Outlier Payment is $25,000.00.	For the 2nd RY18 Period, the Fixed Outlier Threshold for purposes of calculating any Outlier Payment is $25,500.00.
Freestanding Pediatric Acute Hospital	A Hospital which limits admissions primarily to children and which qualifies as exempt from the Medicare prospective payment system regulations.	No change to definition.
Gross Patient Service Revenue	The total dollar amount of a Hospital's charges for services rendered in a Fiscal Year.	No change to definition.
High Medicaid Volume Freestanding Pediatric Acute Hospital	A Freestanding Pediatric Acute Hospital with more than 1,000 Medicaid discharges in FY12 for which a SPAD was paid, as determined by paid claims in MMIS as of May 11, 2013, and for which MassHealth was the primary payer.	No change to definition.
High Medicaid Volume Safety Net Hospital	An Acute Hospital which had a ratio of Medicaid inpatient days to total inpatient days that was greater than 45% in FY14 based on the Hospitals	No change to definition.

State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services

Defined Term	Definition Applicable During 1st RY18 Period	Definition Applicable During 2nd RY18 Period
	FY14 403 cost report.	
Hospital	Any health care facility which: a. operates under a hospital license issued by the Massachusetts Department of Public Health (DPH) pursuant to M.G.L. c. 111 § 51; b. is Medicare certified and participates in the Medicare program; and c. has more than fifty percent (50%) of its beds licensed as medical/surgical, intensive care, coronary care, burn, pediatric (Level I or II), pediatric intensive care (Level III), maternal (obstetrics) or neonatal intensive care (Level III) beds, as determined by DPH and currently utilizes more than fifty percent (50%) of its beds exclusively as such, as determined by EOHHS.	No change to definition.
Hospital-Based Physician	Any physician, or physician group practice, excluding interns, residents, fellows, and house officers, who contracts with a Hospital to provide Inpatient Services to Members at a site for which the Hospital is otherwise eligible to receive payment under the RFA. For purposes of this definition and related provisions, the term physician includes dentists, podiatrists and osteopaths. Nurse practitioners, nurse midwives, physician assistants, and other allied health professionals are not	No change to definition.

State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services

Defined Term	Definition Applicable During 1st RY18 Period	Definition Applicable During 2nd RY18 Period
	Hospital-Based Physicians.	
Hospital Discharge Data (HDD)	Hospital discharge filings, as provided and verified by each hospital and submitted to CHIA, including FY12 Acute Hospital casemix data as screened and updated by CHIA, for purposes of **Section III.B**, on APAD rate development as applicable to the 1st RY18 Period.	Hospital discharge filings for FY16 provided and verified by each hospital, submitted to CHIA, and screened and updated by CHIA. HDD is used for determining casemix as part of the APAD rate development for purposes of **Section III.B**, as applicable to the 2nd RY18 Period.
Inflation Factors for Administrative Days	An inflation factor that is a blend of the Centers for Medicare and Medicaid Services (CMS) market basket and the Massachusetts Consumer Price Index (CPI). Specifically, the CPI replaces the labor-related component of the CMS market basket to reflect conditions in the Massachusetts economy. The Inflation Factor for Administrative Days is as follows: • 1.659% reflects the price changes between RY15 and RY16.	An inflation factor that is a blend of the Centers for Medicare and Medicaid Services (CMS) market basket and the Massachusetts Consumer Price Index (CPI). Specifically, the CPI replaces the labor-related component of the CMS market basket to reflect conditions in the Massachusetts economy. The Inflation Factor for Administrative Days is as follows: • 1.937% reflects the price changes between RY16 and RY17. • 2.26% reflects the price changes between RY17 and RY18.
Inflation Factors for Capital Costs	The inflation factors for capital costs are the factors used by CMS to update capital payments made by Medicare, and are based on the CMS Capital Input Price Index. The Inflation Factors for Capital Costs between RY04 and RY17 are as follows: • 0.7% reflects the price changes between RY04 and RY05 • 0.7% reflects the price changes between RY05 and RY06 • 0.8% reflects the price changes between RY06 and RY07	The inflation factors for capital costs are the factors used by CMS to update capital payments made by Medicare, and are based on the CMS Capital Input Price Index. The Inflation Factors for Capital Costs between RY04 and RY18 are as follows: • 0.7% reflects the price changes between RY04 and RY05 • 0.7% reflects the price changes between RY05 and RY06 • 0.8% reflects the price changes between RY06 and RY07

State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services

Defined Term	Definition Applicable During 1st RY18 Period	Definition Applicable During 2nd RY18 Period
	• 0.9% reflects the price changes between RY07 and RY08 • 0.7% reflects the price changes between RY08 and RY09 • 1.4% reflects the price changes between RY09 and RY10 • 1.5% reflects the price changes between RY10 and RY11 • 1.5% reflects the price changes between RY11 and RY12 • 1.2% reflects the price changes between RY12 and RY13 • 1.4% reflects the price changes between RY13 and RY14 • 1.5% reflects the price changes between RY14 and RY15 • 1.3% reflects the price changes between RY15 and RY16 • 0.9% reflects the price changes between RY16 and RY17.	• 0.9% reflects the price changes between RY07 and RY08 • 0.7% reflects the price changes between RY08 and RY09 • 1.4% reflects the price changes between RY09 and RY10 • 1.5% reflects the price changes between RY10 and RY11 • 1.5% reflects the price changes between RY11 and RY12 • 1.2% reflects the price changes between RY12 and RY13 • 1.4% reflects the price changes between RY13 and RY14 • 1.5% reflects the price changes between RY14 and RY15 • 1.3% reflects the price changes between RY15 and RY16 • 0.9% reflects the price changes between RY16 and RY17. • 1.3% reflects the price changes between RY17 and RY18.
Inflation Factors for Operating Costs	For price changes between RY04 and RY07, and between RY09 (starting with admissions beginning December 7, 2008) and RY17, the inflation factor for operating costs is a blend of the CMS market basket and the Massachusetts Consumer Price Index (CPI) in which the CPI replaces the labor-related component of the CMS market basket to reflect conditions in the Massachusetts economy. For price changes between RY07 and RY09 (for admissions through December 6, 2008), the inflation factor for operating costs is the CMS market basket. The Inflation Factors for Operating Costs between RY04 and RY17 are as follows: • 1.186% reflects price changes between RY04 and RY05	For price changes between RY04 and RY07, and between RY09 (starting with admissions beginning December 7, 2008) and RY17, the inflation factor for operating costs is a blend of the CMS market basket and the Massachusetts Consumer Price Index (CPI) in which the CPI replaces the labor-related component of the CMS market basket to reflect conditions in the Massachusetts economy. For price changes between RY07 and RY09 (for admissions through December 6, 2008), the inflation factor for operating costs is the CMS market basket. The Inflation Factors for Operating Costs between RY04 and RY18 are as follows: • 1.186% reflects price changes between RY04 and RY05

State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services

Defined Term	Definition Applicable During 1st RY18 Period	Definition Applicable During 2nd RY18 Period
	• 1.846% reflects price changes between RY05 and RY06 • 1.637% reflects price changes between RY06 and RY07 • 3.300% reflects price changes between RY07 and RY08 • 3.000% reflects price changes between RY08 and RY09 for admissions beginning from October 1, 2008 through December 6, 2008 • 1.424% reflects price changes between RY08 and RY09 for admissions beginning from December 7, 2008 through September 30, 2009 • 0.719% reflects the price changes between RY09 and RY10* • 1.820% reflects the price changes between RY10 and RY11 • 1.665% reflects the price changes between RY11 and RY12 • 1.775% reflects the price changes between RY12 and RY13 • 1.405% reflects the price changes between RY13 and RY14 • 1.611% reflects the price changes between RY14 and RY15 • 1.573% reflects the price changes between RY15 and RY16 • 1.937% reflects the price changes between RY16 and RY17 ** The Inflation Factor for Operating Costs reflecting price changes between RY09 and RY10 was calculated based on the RY09 rate in effect for admissions beginning from December 7, 2008 through September 30, 2009.*	• 1.846% reflects price changes between RY05 and RY06 • 1.637% reflects price changes between RY06 and RY07 • 3.300% reflects price changes between RY07 and RY08 • 3.000% reflects price changes between RY08 and RY09 for admissions beginning from October 1, 2008 through December 6, 2008 • 1.424% reflects price changes between RY08 and RY09 for admissions beginning from December 7, 2008 through September 30, 2009 • 0.719% reflects the price changes between RY09 and RY10* • 1.820% reflects the price changes between RY10 and RY11 • 1.665% reflects the price changes between RY11 and RY12 • 1.775% reflects the price changes between RY12 and RY13 • 1.405% reflects the price changes between RY13 and RY14 • 1.611% reflects the price changes between RY14 and RY15 • 1.573% reflects the price changes between RY15 and RY16 • 1.937% reflects the price changes between RY16 and RY17 • 2.26% reflects the price changes between RY17 and RY18. ** The Inflation Factor for Operating Costs reflecting price changes between RY09 and RY10 was calculated based on the RY09 rate in effect for admissions beginning from December 7, 2008 through September 30, 2009.*
Inpatient Services (also Inpatient Hospital Services)	Medical services, including Behavioral Health Services, provided to a Member admitted to a Hospital.	No change to delinition.

State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services

Defined Term	Definition Applicable During 1st RY18 Period	Definition Applicable During 2nd RY18 Period
Long-Acting Reversible Contraception (LARC) device (LARC Device)	Not applicable.	Long-acting reversible contraception (LARC) device refers to intrauterine devices and contraceptive implants. LARC Device does not refer to the procedure, itself.
Managed Care Organization (MCO)	Any entity with which EOHHS contracts to provide primary care and certain other medical services, including Behavioral Health Services, to Members on a capitated basis, and which meets the definition of an MCO at 42 CFR §438.2. For clarity purposes, MCO includes Accountable Care Partnership Plans (ACPPs).	No change to definition.
Marginal Cost Factor	As used in the calculation of an Outlier Payment, the percentage of payment made for the difference between the Discharge-Specific Case Cost and the Discharge-Specific Outlier Threshold (utilizing the 1st RY18 Period methodology). For the 1st RY18 Period, the Marginal Cost Factor is 80%.	As used in the calculation of an Outlier Payment, the percentage of payment made for the difference between the Discharge-Specific Case Cost and the Discharge-Specific Outlier Threshold (utilizing the 2nd RY18 Period methodology). For the 2nd RY18 Period, the Marginal Cost Factor is 80%.
Massachusetts-specific Wage Area Index	Each wage area's Wage Index is the average hourly wage divided by the statewide average hourly wage. Massachusetts Hospitals' wages and hours were determined based on CMS's FY_2017_April_21_2016_S3_OCCMIX_PUF_04202016.xlsx file, downloaded May 16, 2016. Wage areas were assigned according to the same CMS file unless re-designated in a written decision from CMS to the Hospital provided to EOHHS by May 11, 2016.	Each wage area's Wage Index is the average hourly wage divided by the statewide average hourly wage. Massachusetts Hospitals' wages and hours were determined based on CMS's FY2018 April-28-17-Wage Index_PUFs(5) zip file, downloaded May 1, 2017. Wage areas were assigned according to the same CMS file unless re-designated in a written decision from CMS to the Hospital provided to EOHHS by May 12, 2017.

State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services

Defined Term	Definition Applicable During 1st RY18 Period	Definition Applicable During 2nd RY18 Period
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.	No change to definition.
MassHealth DRG Weight	The MassHealth relative weight developed by EOHHS for each unique combination of APR-DRG and severity of illness (SOI), applicable to the 1st RY18 Period.	The MassHealth relative weight developed by EOHHS for each unique combination of APR-DRG and severity of illness (SOI), applicable to the 2nd RY18 Period.
Medicaid Management Information System (MMIS)	The state-operated system of data processes, certified by CMS that meets federal guidelines in Part 11 of the State Medicaid Manual.	No change to definition.
Member	A person determined by EOHHS to be eligible for medical assistance under the MassHealth program.	No change to definition.
Non-Acute Unit	A chronic care, Rehabilitation, or skilled nursing facility unit within a Hospital.	No change to definition.
Outlier Payment	A hospital-specific, discharge-specific inpatient Hospital payment made in addition to the APAD for qualifying discharges in accordance with **Section III.C**, utilizing the methodology applicable to the 1st RY18 Period.	A hospital-specific, discharge-specific inpatient Hospital payment made in addition to the APAD for qualifying discharges in accordance with **Section III.C**, utilizing the methodology applicable to the 2nd RY18 Period.
Pediatric Specialty Unit	A designated pediatric unit, pediatric intensive care unit, or neonatal intensive care unit in an Acute Hospital other than a Freestanding Pediatric Acute Hospital, in which the ratio of licensed pediatric beds to total licensed Hospital beds as of	No change to definition.

State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services

<table>
<tr><th>Defined Term</th><th>Definition Applicable During 1st RY18 Period</th><th>Definition Applicable During 2nd RY18 Period</th></tr>
<tr><td></td><td>July 1, 1994, exceeded 0.20.</td><td></td></tr>
<tr><td>Pre-Adjusted APAD</td><td>The amount calculated by EOHHS utilizing the APAD payment methodology applicable to the 1st RY18 Period set forth in Section III.B, below, for a specific discharge, but excluding the final step of applying any adjustment for Potentially Preventable Readmissions pursuant to Section IV, utilizing the 1st RY18 Period methodology.</td><td>The amount calculated by EOHHS utilizing the APAD payment methodology applicable to the 2nd RY18 Period set forth in Section III.B, below, for a specific discharge, but excluding the final step of applying any adjustment for Potentially Preventable Readmissions pursuant to Section IV, utilizing the 2nd RY18 Period methodology.</td></tr>
<tr><td>Primary Care ACO</td><td>A type of ACO with which the MassHealth agency contracts under its ACO program.</td><td>No change to definition.</td></tr>
<tr><td>Primary Care Clinician Plan (PCC Plan)</td><td>A comprehensive managed care plan, administered by EOHHS, through which enrolled MassHealth Members receive primary care, behavioral health, and other medical services</td><td>No change to definition.</td></tr>
<tr><td>Rate Year (RY)</td><td>Generally, a twelve month period beginning October 1 and ending the following September 30. For specific rate years, refer to the following table:
<table>
<tr><th>Rate Year*</th><th>Dates</th></tr>
<tr><td>RY04</td><td>10/1/2003 – 9/30/2004</td></tr>
<tr><td>RY05</td><td>10/1/2004 – 9/30/2005</td></tr>
<tr><td>RY06</td><td>10/1/2005 – 9/30/2006</td></tr>
<tr><td>RY07</td><td>10/1/2006 – 10/31/2007</td></tr>
<tr><td>RY08</td><td>11/1/2007 – 9/30/2008</td></tr>
<tr><td>RY09</td><td>10/1/2008 – 10/31/2009</td></tr>
<tr><td>RY10</td><td>11/1/2009 – 11/30/2010</td></tr>
<tr><td>RY11</td><td>12/01/2010–09/30/2011</td></tr>
<tr><td>RY12</td><td>10/01/2011 --9/30/2012</td></tr>
<tr><td>RY13</td><td>10/01/2012 –09/30/2013</td></tr>
<tr><td>RY14</td><td>10/1/2013 – 09/30/2014</td></tr>
</table></td><td>No change to definition.</td></tr>
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State Plan Under Title XIX of the Social Security Act
State: Massachusetts
Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services

Defined Term	Definition Applicable During 1st RY18 Period	Definition Applicable During 2nd RY18 Period
	RY15 10/1/2014 – 9/30/2015 RY16 10/1/2015 – 9/30/2016 RY17 10/1/2016 – 9/30/2017 RY18 10/1/2017 – 9/30/2018 *In future rate years, Hospitals will be paid in in accordance with this Attachment (until amended).	
Rehabilitation Services	Services provided in an Acute Hospital that are medically necessary to be provided at a hospital level of care, to a Member with medical need for an intensive rehabilitation program that requires a multidisciplinary coordinated team approach to upgrade his/her ability to function with a reasonable expectation of significant improvement that will be of practical value to the Member measured against his/her condition at the start of the rehabilitation program.	No change to definition.
Rehabilitation Unit	A distinct unit of rehabilitation beds licensed by the Department of Public Health (DPH) as rehabilitation beds, in a licensed Acute Hospital that provides comprehensive Rehabilitation Services to Members with appropriate medical needs.	No change to definition.
RFA and Contract	The Request for Applications and the agreement executed between each selected Hospital and EOHHS that incorporates all of the provisions of the RFA	No change to definition.
State Fiscal Year (SFY)	The time period of 12 months beginning on July 1 of any calendar year and ending on June 30 of the immediately following calendar	No change to definition.

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Defined Term	Definition Applicable During 1st RY18 Period	Definition Applicable During 2nd RY18 Period
	year. SFY18 begins on July 1, 2017, and ends on June 30, 2018.	
Standard Payment Amount Per Discharge (SPAD)	A payment methodology that was utilized in prior Rate Years. The SPAD was a Hospital-specific all-inclusive payment for the first twenty cumulative acute days of an inpatient hospitalization, which was the complete fee-for-service payment for an acute episode of illness, excluding additional fee-for-service payment for services as described in prior acute inpatient hospital SPAs, including TN-013-020. Calculation of the SPAD was discussed in **Section III.B** of TN-013-020. This payment methodology was replaced by the APAD payment methodology in RY15.	No change to definition.
Total Case Payment	The sum, as determined by EOHHS, of the Pre-Adjusted APAD and, if applicable, any Outlier Payment, adjusted for Potentially Preventable Readmissions pursuant to **Section IV** (applying the 1st RY18 Period methodology(ies)).	The sum, as determined by EOHHS, of the Pre-Adjusted APAD and, if applicable, any Outlier Payment, adjusted for Potentially Preventable Readmissions pursuant to **Section IV** (applying the 2nd RY18 Period methodology(ies)).
Total Transfer Payment Cap	The Total Case Payment amount calculated by EOHHS utilizing the APAD and, if applicable, Outlier Payment methodology(ies) set forth in **Section III.B and III.C**, respectively, for the period for which the Transferring Hospital is being paid on a Transfer per diem basis under **Section III.D** (applying the 1st RY18 Period methodology(ies)).	The Total Case Payment amount calculated by EOHHS utilizing the APAD and, if applicable, Outlier Payment methodology(ies) set forth in **Section III.B and III.C**, respectively, for the period for which the Transferring Hospital is being paid on a Transfer per diem basis under **Section III.D** (applying the 2nd RY18 Period methodology(ies)).

State Plan Under Title XIX of the Social Security Act
State: Massachusetts
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Defined Term	Definition Applicable During 1st RY18 Period	Definition Applicable During 2nd RY18 Period
Transferring Hospital	an Acute Hospital that is being paid on a Transfer per diem basis, pursuant to **Section III.D**.	No change to definition.
Wholesale Acquisition Cost (WAC)	Not applicable.	The wholesale acquisition cost (WAC) of the Drug as published by First Data Bank or other national price compendium designated by EOHHS.

III. Payment for Inpatient Services

A. Overview

1. Except as otherwise provided in **subsections C through I** below, and in **Exhibit 1**, fee-for-service payments for Inpatient Services provided to MassHealth Members not enrolled in an MCO will be a Hospital-specific, DRG-specific Adjudicated Payment Amount per Discharge (APAD) (see **subsection B** below).

   For qualifying discharges, Hospitals may also be paid an Outlier Payment in addition to the APAD, under the conditions set forth in, and calculated as described in, **subsection C**, below.

   Beginning with applicable admissions in the 2nd RY18 Period, payment separate from the APAD may also be made to Hospitals for LARC Devices and APAD Carve-Out Drugs, respectively, as described in **subsection I.1** and **I.2**, respectively.

2. **Subsections C through I** describe non-APAD fee-for-service payments, including, as applicable, Outlier Payments, and payment for psychiatric services, transfer patients, Hospital-Based Physician services, Administrative Days, Rehabilitation Unit services in Acute Hospitals, and, beginning with admissions in the 2nd RY18 Period, payment for LARC Devices and APAD Carve-Out Drugs. Payment for other unique circumstances is described in **subsection J**, and **Exhibit 1**. Pay-for-Performance payments are described in **subsection K.**

3. For Inpatient Services paid on a per diem basis, MassHealth pays the lesser of (i) the per diem rate, or (ii) 100% of the Hospital's actual charge submitted.

B. Calculation of the Adjudicated Payment Amount Per Discharge (APAD)

RY18 is bifurcated into the 1st RY18 Period and the 2nd RY18 Period for purposes of applying the APAD payment methodology. The APAD methodology is set forth in **Section III.B** below. The **"1st RY18 Period"** column applies to admissions occurring in the 1st RY18 Period, and incorporates applicable definitions in **Section II** that apply to the 1st RY18 Period. The **"2nd RY18 Period"** column applies to admissions occurring in the 2nd RY18 Period, and incorporates applicable definitions in **Section II** that apply to the 2nd RY18 Period. The 1st RY18 Period APAD methodology is the same methodology that applied during RY17 under approved SPA TN-016-015.

State Plan under Title XIX of the Social Security Act
State: Massachusetts
Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services

1st RY18 Period (for admissions occurring in the 1st RY18 Period)	2nd RY18 Period (for admissions occurring in the 2nd RY18 Period)
1. APAD Overview The Adjudicated Payment Amount per Discharge (APAD) is a Hospital-specific, DRG-specific all-inclusive facility payment for an acute inpatient hospitalization from admission through discharge. The components that make up the APAD include (1) the Statewide Operating Standard per Discharge, adjusted for the Hospital's Massachusetts-specific Wage Area Index; (2) the Statewide Capital Standard per Discharge; (3) the discharge-specific MassHealth DRG Weight; and (4) a Hospital-specific adjustment, where applicable, for Potentially Preventable Readmissions (PPR) pursuant to **Section IV**. Each of these components, and the calculation of the APAD, is described more fully below. The APAD Base Year is FY12.	**1. APAD Overview** The Adjudicated Payment Amount per Discharge (APAD) is a Hospital-specific, DRG-specific all-inclusive facility payment for an acute inpatient hospitalization from admission through discharge (exclusive of any separate payment for LARC Devices or APAD Carve-Out Drugs, if applicable, as described in **Section III.I)**. The components that make up the APAD include (1) the Statewide Operating Standard per Discharge, adjusted for the Hospital's Massachusetts-specific Wage Area Index; (2) the Statewide Capital Standard per Discharge; (3) the discharge-specific MassHealth DRG Weight; and (4) a Hospital-specific adjustment, where applicable, for Potentially Preventable Readmissions (PPR) pursuant to **Section IV**. Each of these components, and the calculation of the APAD, is described more fully below. The APAD Base Year is FY16.
2. Statewide Operating Standard per Discharge The Statewide Operating Standard per Discharge is determined by multiplying: • the weighted average of the APAD Base Year standardized cost per discharge, where any Hospital's standardized cost per discharge that exceeds the efficiency standard is limited by the efficiency standard; by • an outlier adjustment factor of 91.5% and by • the Inflation Factors for Operating Costs to trend APAD Base Year costs forward to RY17.	**2. Statewide Operating Standard per Discharge** The Statewide Operating Standard per Discharge is determined by multiplying: • the weighted average of the APAD Base Year standardized cost per discharge, where any Hospital's standardized cost per discharge that exceeds the efficiency standard is limited by the efficiency standard; by • an outlier adjustment factor of 93.0% and by • the Inflation Factors for Operating Costs to trend APAD Base Year costs forward to the

I. APAD Carve-Outs

This **Section III.I** applies to qualifying admissions in the 2nd RY18 Period, and does not apply to admissions in the 1st RY18 Period. The definitions applicable to the 2nd RY18 Period from **Section II** are incorporated.

1. Payment for LARC Devices

A Hospital may be paid separate from the APAD for a LARC Device if the LARC procedure is performed immediately after labor and delivery during same inpatient hospital labor and delivery stay for clinically appropriate members. For qualifying discharge, Hospitals will be reimbursed for LARC Devices in accordance with Section 8.d. of Attachment 4.19-B of the State Plan.

2. Payment for APAD Carve-Out Drugs

Payment to Hospitals for APAD Carve-Out Drugs used to treat Members during an inpatient admission will be the lowest of (1) the Hospital's Actual Acquisition Cost of the Drug; (2) the Wholesale Acquisition Cost (WAC) of the Drug; and (3) if available, the Medicare Part B rate for the Drug, each as determined by EOHHS.

J. Payment for Unique Circumstances

1. High Public Payer Hospital Supplemental Payment

a. Eligibility

In order to qualify for this supplemental payment, a Hospital must have received greater than 63% of its Gross Patient Service Revenue (GPSR) in FY2016 from government payers and uncompensated care as determined by the Hospital's FY2016 Massachusetts Hospital Cost Report.

b. Supplemental Payment Methodology

Subject to compliance with all applicable federal rules and payment limits, EOHHS will make a supplemental payment to qualifying Hospitals.

The supplemental payment amount for each qualifying hospital will be determined by apportioning a total of $6.5 million to qualifying hospitals on a pro rata basis according to each qualifying hospital's number of MCO, Primary Care ACO, and PCC Plan inpatient discharges in FY18, with each qualifying hospital's FY18 MCO and Primary Care ACO discharge volume weighted at 60% and each qualifying hospital's FY18 PCC Plan discharge volume weighted at 40%.

For purposes of this calculation, "MCO, Primary Care ACO, and PCC Plan inpatient discharges in FY18" refer to paid inpatient discharges from the qualifying hospital for MassHealth Members enrolled in an MCO, a Primary Care ACO, or the PCC Plan, as determined by EOHHS utilizing, for the MCO discharge volume, MCO encounter data submitted by each MCO for FY18 and residing in the MassHealth data warehouse as of March 31, 2019, and for the PCC Plan and Primary Care ACO discharge volume, Medicaid paid claims data for FY18 residing in MMIS as of March 31, 2019, for which MassHealth is primary payer. "MCO" for purposes of this **Section III.J.1** refers to all MCOs as defined in **Section II**, except Senior Care Organizations and One Care plans. Only MCO encounter data and MMIS paid claims data pertaining to qualifying High Public Payer Hospitals (as specified in **Section III.J.1.a**) is considered in determining the pro rata share.