

## **Table of Contents**

**State/Territory Name: Massachusetts**

**State Plan Amendment (SPA) #: 18-002**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
JFK Federal Building, Government Center  
Room 2275  
Boston, Massachusetts 02203



**Division of Medicaid and Children's Health Operations / Boston Regional Office**

June 22, 2018

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

Dear Secretary Sudders:

We are pleased to enclose a copy of approved Massachusetts State Plan Amendment (SPA) No.18-002 submitted to CMS on March 30, 2018. This SPA was submitted to revise your approved Title XIX State plan to carve out certain drugs and biologics from the acute hospital outpatient Adjudicated Payment per Episode of Care (APEC) payment. This SPA has been approved effective March 1, 2018.

Enclosed are copies of the following approved State plan pages.

- Supplement to Attachment 3.1-A, page 1a;
- Supplement to Attachment 3.1-B, page 1a;
- Attachment 4.19-B, page 1e2; and
- Attachment 4.19-B(1), pages 4-15, 15a, 16 and 23a.

If you have any questions regarding this matter you may contact Julie McCarthy at (617) 565-1244 or by e-mail at [Julie.McCarthy@cms.hhs.gov](mailto:Julie.McCarthy@cms.hhs.gov).

Sincerely,

/s/

Richard R. McGreal  
Associate Regional Administrator

Enclosure/s

Cc (via e-mail): Daniel Tsai, Assistant Secretary for MassHealth, Medicaid Director  
Kaela Konefal, Federal Authority Policy Analyst/State Plan Coordinator

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL  
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER

1 8 — 0 0 2

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 440.20

7. FEDERAL BUDGET IMPACT

a. FFY 2018 \$ (1.26 million)

b. FFY 2019 \$ (2.15 million)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-B (1), pages 4 - 15, 15a(NEW), 16,  
and 23a(NEW)

Supplement to Attachment 3.1-A, page 1a

Supplement to Attachment 3.1-B, page 1a

Attachment 4.19-B page 1e2

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (*If Applicable*)

Attachment 4.19-B (1), pages 4 - 15, and 16

Supplement to Attachment 3.1-A, page 1a

Supplement to Attachment 3.1-B, page 1a

Attachment 4.19-B page 1e2

10. SUBJECT OF AMENDMENT

Acute Outpatient 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

/s/

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 03/30/2018

18. DATE APPROVED 06/22/2018

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL 03/01/2018

20. SIGNATURE OF REGIONAL OFFICIAL

/s/

21. TYPED NAME Richard R. McGreal

22. TITLE

Associate Regional Administrator, Division of Medicaid & Children's Health Operations, Boston, MA

23. REMARKS SPA MA 18-002

**State Plan under Title XIX of the Social Security Act**  
**State: Massachusetts**  
**Limitations to Services Provided to the Categorically Needy**

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**Item 2.a: Outpatient Hospital Services**

MassHealth requires prior authorization for certain outpatient hospital services based on medical necessity, including for more than 20 occupational therapy visits, 20 physical therapy visits, or 35 speech/language therapy visits, including group-therapy visits, for a member within a 12-month period; and for certain drugs and biologics administered in the acute outpatient hospital setting.

DEP/ESPs provide crisis assessment, stabilization, special services and other interventions in advance of a hospital admission for psychiatric treatment. Such services are available 24 hours a day, 7 days a week in order to ensure appropriate access to inpatient hospitalization and diversion from inpatient hospitalization when possible. To qualify as a DEP/ESP, a provider of hospital services must be designated as such by the Commonwealth.

**Item 4.a: Nursing Facilities Services**

If a utilization review team recommends that a recipient in a multi-level long-term-care facility be changed to a lower level of care, the facility is responsible for relocating a recipient to the recommended level of care within the facility. The recipient has the right to appeal the recommendation.

**Item 4b: Early and Periodic Screening, Diagnostic and Treatment services for individuals under 21 years of age, and treatment of conditions found.**

In addition to all other medically necessary services covered for individuals under age 21, the following services are covered as Rehabilitation services as defined in 42 USC 1396d (a) (13). These services are provided to, or directed exclusively toward the treatment of, the Medicaid eligible individual:

**a. Mobile Crisis Intervention** (Services described in this section are effective July 1, 2009.)

Mobile Crisis Intervention provides a short term service that is mobile, on-site, face-to-face therapeutic response to a youth experiencing a behavioral health (mental health or substance abuse) crisis for the purpose of identifying, assessing, treating, and stabilizing the situation and reducing the immediate risk of danger to the youth or others consistent with the youth's risk management/safety plan, if any. Services are available 24 hours a day, 7 days a week. Phone contact and consultation may be provided as part of the intervention. Mobile crisis services may be provided by a single crisis worker or by a team of professionals that are qualified providers who are trained in crisis intervention.

Mobile Crisis Intervention includes the following activities when performed to resolve the immediate crisis:

- Assessment;
- Crisis counseling including individual and family counseling;
- Clinical consultation and coordination with other health care providers;
- Psychopharmacological management, including availability of on-site prescriber;
- Identification and inclusion of professional and natural supports (e.g., therapist, neighbors, relatives) who can assist in stabilizing the situation and offer ongoing support;
- Development of a risk management/safety plan. In cases where the youth does not already have such a plan, Mobile Crisis Intervention creates a risk management/safety plan in concert with the parent(s)/guardian(s)/caregiver(s) and any existing service providers (e.g., ICC, In-Home Therapy Services, outpatient therapist); and
- Referral to other services as needed.

**State Plan under Title XIX of the Social Security Act**  
**State: Massachusetts**  
**Limitations to Services Provided to the Medically Needy**

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Methods and Standards for Establishing Payment Rates – Other Types of Care

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- ii. For other drugs administered at a physician's office, payment shall not exceed the provider's actual acquisition cost as determined from the provider's invoice.
  - iii. For drugs administered in the acute outpatient hospital setting for which direct reimbursement is made to the hospital, payment is as specified in Attachment 4.19-B(1), Section III of the State Plan, including for drugs that are defined as "APEC Carve-Out Drugs" under Section II of such Attachment 4.19-B(1).
  - iv. For drugs administered in the acute inpatient hospital setting for which direct reimbursement is made to the hospital, payment is as specified in Attachment 4.19-A(1), Section III of the State Plan, including for drugs that are defined as "APAD Carve-Out Drugs" under Section II of such Attachment 4.19-A(1).
- L. Professional dispensing fees for prescribed drugs.
- i. The professional dispensing fee for compounded drugs whose dispensing involves the mixing two or more commercially prepared products is \$17.52.
  - ii. The professional dispensing fee for compounded drugs whose dispensing involves compounding lotions, shampoos, suspensions, or the mixing of powders or liquids into cream, ointment, or gel base is \$20.02.
  - iii. The professional dispensing fee for compounded drugs whose dispensing involves compounding capsules, troches, suppositories, or pre-filled syringes \$25.02.
  - iv. The professional dispensing fee for compounded drugs needing a sterile environment when mixing is \$40.02.
  - v. The professional dispensing fee for blood clotting factor not obtained through the 340B program is \$10.02.
  - vi. The professional dispensing fee for blood clotting factor obtained through the 340B program is 2.75 cents per unit.
  - vii. The professional dispensing fee for all other prescribed drugs is \$10.02.

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

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**II. Definitions**

The definitions set forth in the “**1<sup>st</sup> RY18 Period**” column, below, apply during the **1<sup>st</sup> RY18 Period** (as defined below). The definitions set forth in the “**2<sup>nd</sup> RY18 Period**” column, below, apply during the **2<sup>nd</sup> RY18 Period** (as defined below), unless (i) that column specifies that there is no change to the definition, or (ii) for purposes of the APEC payment methodology set forth in **Section III.B**, the Episode’s first date of service for Emergency Department or Observation Services that extend past midnight occurred in the 1<sup>st</sup> RY18 Period, in which case, the definitions set forth in the **1<sup>st</sup> RY18 Period** column continue to apply.

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
<b>1<sup>st</sup> RY18 Period</b>	The “1 <sup>st</sup> RY18 Period” is the portion of RY18 from October 1, 2017 through February 28, 2018.	No change to definition.
<b>2<sup>nd</sup> RY18 Period</b>	The “2 <sup>nd</sup> RY18 Period” is the portion of RY18 from March 1, 2018 through the end of RY18.	No change to definition.
<b>3M EAPG Grouper</b>	The 3M Corporation’s EAPG Grouper version 3.10, configured for the MassHealth APEC payment method.	No change to definition.
<b>Accountable Care Organization (ACO)</b>	An entity that enters into a population-based payment model contract with EOHHS as an accountable care organization, wherein 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.
<b>Accountable Care Partnership Plan (ACPP)</b>	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	No change to definition.

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Methods Used to Determine Rates of Payment for Acute Outpatient Hospital Services

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	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 services.	
<b>Actual Acquisition Cost</b>	Not applicable.	For purposes of <b>Section III.E-1</b> , 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 administered to the Member during an Acute Outpatient Hospital visit, including any efficacy-, outcome-, or performance-based guarantee (or similar arrangements), whether received pre- or post-payment.
<b>Acute Hospital</b>	See Hospital.	No change to definition.
<b>Adjudicated Payment per Episode of Care (APEC)</b>	A Hospital-specific, Episode-specific all-inclusive facility payment for all APEC-Covered Services provided by a Hospital to a Member on an outpatient basis in one Episode. The APEC is not payment for those outpatient services described in <b>Sections I.B and III.C through E</b> . The APEC is calculated as set forth in <b>Section III.B</b> , utilizing the methodology applicable to the 1 <sup>st</sup> RY18 Period.	A Hospital-specific, Episode-specific all-inclusive facility payment for all APEC-Covered Services provided by a Hospital to a Member on an outpatient basis in one Episode. The APEC is not payment for those outpatient services described in <b>Sections I.B, III.C through III.E, and III.E-1</b> . The APEC is calculated as set forth in <b>Section III.B</b> , utilizing the methodology applicable to the 2 <sup>nd</sup> RY18 Period.
<b>Adjusted EAPG Weight</b>	The EAPG weight that is multiplied by the APEC Outpatient Statewide Standard in determining each of the Episode’s claim detail line EAPG	The EAPG weight that is multiplied by the APEC Outpatient Statewide Standard in determining each of the Episode’s claim detail line EAPG



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<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	<p>payment amounts for purposes of calculating the Episode-Specific Total EAPG Payment, utilizing the methodology applicable to the 1<sup>st</sup> RY18 Period. The 3M EAPG Grouper’s discounting, consolidation and packaging logic is applied to each of the Episode’s claim detail line MassHealth EAPG Weights to produce the claim detail line’s Adjusted EAPG Weight, including as follows:</p> <ul style="list-style-type: none"> <li>• <b>consolidation</b> is the collapsing of multiple identical or related significant procedure EAPGs into a single EAPG for payment purposes, with the additional procedures weighted at zero percent;</li> <li>• <b>packaging</b> applies to ancillary service EAPGs present with a significant procedure EAPG or medical visit EAPG, with the ancillary service EAPGs weighted at zero percent;</li> <li>• <b>discounting</b> applies to multiple unrelated significant procedures, repeat ancillary procedures, terminated procedures, and bilateral procedures. All discounting rates are 50%, with the exception of terminated procedures (75% of full weight) and the third and subsequent ancillary procedures (25% of full weight).</li> </ul>	<p>payment amounts for purposes of calculating the Episode-Specific Total EAPG Payment, utilizing the methodology applicable to the 2<sup>nd</sup> RY18 Period. The 3M EAPG Grouper’s discounting, consolidation and packaging logic is applied to each of the Episode’s claim detail line MassHealth EAPG Weights to produce the claim detail line’s Adjusted EAPG Weight, including as follows:</p> <ul style="list-style-type: none"> <li>• <b>consolidation</b> is the collapsing of multiple identical or related significant procedure EAPGs into a single EAPG for payment purposes, with the additional procedures weighted at zero percent;</li> <li>• <b>packaging</b> applies to ancillary service EAPGs present with a significant procedure EAPG or medical visit EAPG, with the ancillary service EAPGs weighted at zero percent;</li> <li>• <b>discounting</b> applies to multiple unrelated significant procedures, repeat ancillary procedures, terminated procedures, and bilateral procedures. All discounting rates are 50%, with the exception of terminated procedures (75% of full weight) and the third and subsequent ancillary procedures (25% of full weight).</li> </ul>
<b>APEC Base Year</b>	The APEC Base Year is FY14.	No change to definition.

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<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
<b>APEC Carve-Out Drugs</b>	Not applicable.	Drugs that are carved out of the APEC payment and separately paid pursuant to <b>Section III.E-1</b> . APEC Carve-Out Drugs are identified on the MassHealth Acute Hospital Carve-Out Drugs List within the MassHealth Drug List.
<b>APEC-Covered Services</b>	MassHealth-covered Outpatient Services provided by Hospital Outpatient Departments or Satellite Clinics, except those services described in <b>Section I.B and III.C through E</b> .	MassHealth-covered Outpatient Services provided by Hospital Outpatient Departments or Satellite Clinics, except those services described in <b>Sections I.B, III.C through III.E and III.E-1</b> .
<b>APEC Outlier Component</b>	A Hospital-specific, Episode-specific component of the APEC which is calculated by EOHHS as described in <b>Section III.B.2.b</b> , utilizing the methodology applicable to the 1 <sup>st</sup> RY18 Period, and added to the Episode-Specific Total EAPG Payment to result in the APEC for that Episode. The APEC Outlier Component may equal \$0.	A Hospital-specific, Episode-specific component of the APEC which is calculated by EOHHS as described in <b>Section III.B.2.b</b> , utilizing the methodology applicable to the 2 <sup>nd</sup> RY18 Period, and added to the Episode-Specific Total EAPG Payment to result in the APEC for that Episode. The APEC Outlier Component may equal \$0.
<b>Behavioral Health (BH) Contractor</b>	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. §438.2.	No change to definition.
<b>Behavioral Health Services</b>	Services provided to Members who are being treated for psychiatric disorders or substance-related disorders.	No change to definition.
<b>Casemix</b>	The description and categorization of a hospital's patient population including, but not limited to, primary and secondary diagnoses, primary	No change to definition.

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**State: Massachusetts**

**Methods Used to Determine Rates of Payment for Acute Outpatient Hospital Services**

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	and secondary procedures, illness severity, patient age and source of payment.	
<b>Centers for Medicare &amp; Medicaid Services (CMS)</b>	The federal agency under the Department of Health and Human Services that is responsible for administering the Medicare and Medicaid programs.	No change to definition.
<b>Community-Based Physician</b>	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.
<b>Contract</b>	see RFA and Contract.	No change to definition.
<b>Critical Access Hospital</b>	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.
<b>Drugs</b>	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.
<b>Emergency Department</b>	A Hospital's emergency room or level I trauma center which is located at the same site as the Hospital's inpatient facility.	No change to definition.
<b>Enhanced Ambulatory Patient Group (EAPG)</b>	A group of Outpatient Services that have been bundled for purposes of categorizing and measuring casemix. It is based on the 3M EAPG	No change to definition.

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**Methods Used to Determine Rates of Payment for Acute Outpatient Hospital Services**

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	Grouper.	
<b>Episode</b>	All MassHealth-covered Outpatient Services, except those set forth in <b>Section I.B and III.C through E</b> delivered to a MassHealth Member on a single calendar day, or if the services extend past midnight in the case of Emergency Department or Observation Services, on consecutive days. Additionally, in limited circumstances, APEC-Covered Services delivered to a MassHealth Member during a second distinct and independent visit on the same calendar day may be considered a separate Episode for payment purposes if the services are for unrelated purposes and conditions as determined by EOHHS.	All MassHealth-covered Outpatient Services, except those set forth in <b>Sections I.B, III.C through III.E and III.E-1</b> delivered to a MassHealth Member on a single calendar day, or if the services extend past midnight in the case of Emergency Department or Observation Services, on consecutive days. Additionally, in limited circumstances, APEC-Covered Services delivered to a MassHealth Member during a second distinct and independent visit on the same calendar day may be considered a separate Episode for payment purposes if the services are for unrelated purposes and conditions as determined by EOHHS
<b>Episode's Total Allowed Charges</b>	the sum of the MassHealth allowed charges for all of the claim detail lines with APEC-Covered Services in an Episode that adjudicate to pay, as determined by EOHHS based on a properly submitted APEC claim.	the sum of the MassHealth allowed charges for all of the claim detail lines with APEC-Covered Services in an Episode that adjudicate to pay, as determined by EOHHS based on a properly submitted APEC claim.
<b>Episode-Specific Case Cost</b>	The product of the Episode's Total Allowed Charges, and the Hospital's FY14 outpatient cost-to-charge ratio as calculated by EOHHS using the Hospital's FY14 -403 cost report.	The product of the Episode's Total Allowed Charges, and the Hospital's FY16 outpatient cost-to-charge ratio as calculated by EOHHS using the Hospital's FY16 Massachusetts Hospital cost report.
<b>Episode-Specific Outlier Threshold</b>	the sum of the Episode-Specific Total EAPG Payment, as determined by EOHHS, and the Fixed Outpatient Outlier Threshold.	the sum of the Episode-Specific Total EAPG Payment, as determined by EOHHS, and the Fixed Outpatient Outlier Threshold.
<b>Episode-Specific Total</b>	An Episode-specific payment amount, which summed with the	An Episode-specific payment amount, which summed with the

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<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
<b>EAPG Payment</b>	APEC outlier Component (as applicable) results in the APEC for that Episode. The Episode-Specific Total EAPG Payment is calculated as set forth in <b>Section III.B.2.a</b> , utilizing the methodology applicable to the 1 <sup>st</sup> RY18 Period.	APEC outlier Component (as applicable) results in the APEC for that Episode. The Episode-Specific Total EAPG Payment is calculated as set forth in <b>Section III.B.2.a</b> , utilizing the methodology applicable to the 2 <sup>nd</sup> RY18 Period.
<b>Executive Office of Health and Human Services (EOHHS)</b>	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.	No change to definition.
<b>Fiscal Year (FY)</b>	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.	No change to definition.
<b>Fixed Outpatient Outlier Threshold</b>	For the 1 <sup>st</sup> RY18 Period, the Fixed Outpatient Outlier Threshold for purposes of calculating the APEC Outlier Component is \$2,100.	For the 2 <sup>nd</sup> RY18 Period, the Fixed Outpatient Outlier Threshold for purposes of calculating the APEC Outlier Component is \$2,750.
<b>Hospital</b>	Any health care facility which: <ul style="list-style-type: none"> <li>a. operates under a hospital license issued by the Massachusetts Department of Public Health (DPH) pursuant to M.G.L. c. 111 § 51;</li> <li>b. is Medicare certified and participates in the Medicare program; and</li> <li>c. has more than fifty percent (50%) of its beds licensed as medical/surgical, intensive care,</li> </ul>	No change to definition.

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<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	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.	
<b>Hospital-Based Physician</b>	Any physician, or physician group practice, excluding interns, residents, fellows, and house officers, who contracts with a Hospital to provide Outpatient Hospital Services to Members at a site for which the Hospital is otherwise eligible for 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 Hospital-Based Physicians.	No change to definition.
<b>Hospital-Licensed Health Center (HLHC)</b>	A Satellite Clinic that (1) meets MassHealth requirements for payment as a HLHC as provided at 130 CMR 410.413; and (2) is approved by and enrolled with MassHealth as a HLHC.	No change to definition.
<b>Inflation Factors for Operating Costs</b>	For price changes between RY14 and RY17, a blend of the Center for Medicare and Medicaid Services (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	For price changes between RY14 and RY18, a blend of the Center for Medicare and Medicaid Services (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

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**Methods Used to Determine Rates of Payment for Acute Outpatient Hospital Services**

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	<p>the Massachusetts economy. The Inflation Factors for Operating Costs between RY14 and RY17 are as follows:</p> <ul style="list-style-type: none"> <li>• 1.611% reflects the price changes between RY14 and RY15.</li> <li>• 1.573% reflects the price changes between RY15 and RY16.</li> <li>• 1.937% reflects the price changes between RY16 and RY17.</li> </ul>	<p>the Massachusetts economy. The Inflation Factors for Operating Costs between RY14 and RY18 are as follows:</p> <ul style="list-style-type: none"> <li>• 1.611% reflects the price changes between RY14 and RY15.</li> <li>• 1.573% reflects the price changes between RY15 and RY16.</li> <li>• 1.937% reflects the price changes between RY16 and RY17.</li> <li>• 2.26% reflects the price changes between RY17 and RY18.</li> </ul>
<b>Managed Care Organization (MCO)</b>	<p>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, MCOs also include Accountable Care Partnership Plans (ACPPs).</p>	<p>No change to definition.</p>
<b>Marginal Cost Factor</b>	<p>As used in the calculation of the APEC Outlier Component, the percentage of payment made for the difference between the Episode-Specific Case Cost and the Episode-Specific Outlier Threshold. For the 1<sup>st</sup> RY18 Period, the Marginal Cost Factor is 80%.</p>	<p>As used in the calculation of the APEC Outlier Component, the percentage of payment made for the difference between the Episode-Specific Case Cost and the Episode-Specific Outlier Threshold. For the 2<sup>nd</sup> RY18 Period, the Marginal Cost Factor is 80%.</p>
<b>MassHealth (also referred to as Medicaid)</b>	<p>The Medical Assistance Program administered by EOHHS to furnish and pay for medical services pursuant to M.G.L. c. 118E, Titles XIX and XXI of the Social Security</p>	<p>No change to definition.</p>

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<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	Act, and any approved waivers of such provisions.	
<b>MassHealth EAPG Weight</b>	The MassHealth relative weight developed by EOHHS for each unique EAPG.	No change to definition.
<b>Member</b>	A person determined by EOHHS to be eligible for medical assistance under the MassHealth program.	No change to definition.
<b>Observation Services</b>	Outpatient Hospital Services provided anywhere in an Acute Hospital to evaluate a Member's condition and determine the need for admission to an Acute Hospital. Observation Services are provided under the order of a physician, consist of the use of a bed and intermittent monitoring by professional licensed clinical staff, and may be provided for more than 24 hours.	No change to definition.
<b>Outpatient Department</b> (also referred to as <b>Hospital Outpatient Department</b> )	A department or unit located at the same site as the Hospital's inpatient facility, or a School-Based Health Center that operates under the Hospital's license and provides services to Members on an ambulatory basis. Hospital Outpatient Departments include day surgery units, primary care clinics, specialty clinics and Emergency Departments.	No change to definition.
<b>Outpatient Services</b> (also <b>Outpatient Hospital Services</b> )	Preventive, diagnostic, therapeutic or palliative services provided to a Member on an outpatient basis, by or under the direction of a physician or dentist, in a Hospital Outpatient Department, Hospital-Licensed Health Center or other Satellite	No change to definition.



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<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	Clinic. Such services include, but are not limited to, emergency services, primary care services, Observation Services, ancillary services, day surgery services, and recovery room services. Payment rules regarding Outpatient Services are found in 130 CMR Parts 410 and 450, Appendix E to the MassHealth Acute Outpatient Hospital Manual, MassHealth billing instructions and the RFA.	
<b>PAPE Covered Services</b>	MassHealth-covered Outpatient Services provided by Hospital Outpatient Departments or Satellite Clinics that were paid utilizing the PAPE payment methodology under prior Acute Outpatient Hospital SPAs (including SPA 016-016 for the period up through December 29, 2016).	No change to definition.
<b>Payment Amount Per Episode (PAPE)</b>	An outpatient payment methodology that was utilized in prior Acute Outpatient Hospital SPAs. The PAPE was a fixed Hospital-specific all-inclusive facility payment that was made for all PAPE Covered Services provided by a Hospital to a MassHealth Member on an outpatient basis in one Episode (as defined in prior Acute Outpatient Hospital SPAs, including SPA 016-016 for the RY17 period up through December 29, 2016), with the exception of those services that were excluded from the PAPE payment methodology as described in those prior SPAs. . The PAPE methodology was replaced by the APEC payment methodology during RY17, effective with dates of service	No change to definition.

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<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>																																
	on or after December 30, 2016.																																	
<b>Primary Care ACO</b>	A type of ACO with which the MassHealth agency contracts under its ACO program.	No change to definition.																																
<b>Primary Care Clinician Plan (PCC Plan)</b>	A comprehensive managed care plan, administered by EOHHS, through which enrolled MassHealth Members receive primary care, behavioral health, and other medical services.	No change to definition.																																
<b>Rate Year (RY)</b>	<p>Generally, a twelve month period beginning October 1 and ending the following September 30. For specific rate years, refer to the following table:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Rate Year*</th> <th style="text-align: center;">Dates</th> </tr> </thead> <tbody> <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> <tr><td>RY15</td><td>10/1/2014 – 9/30/2015</td></tr> <tr><td>RY16</td><td>10/1/2015 – 9/30/2016</td></tr> <tr><td>RY17</td><td>10/1/2016 – 9/30/2017</td></tr> <tr><td>RY18</td><td>10/1/2017 – 9/30/2018</td></tr> </tbody> </table> <p>*In future rate years, Hospitals will be paid in accordance with this Attachment (until amended).</p>	Rate Year*	Dates	RY04	10/1/2003 – 9/30/2004	RY05	10/1/2004 – 9/30/2005	RY06	10/1/2005 – 9/30/2006	RY07	10/1/2006 – 10/31/2007	RY08	11/1/2007 – 9/30/2008	RY09	10/1/2008 – 10/31/2009	RY10	11/1/2009 – 11/30/2010	RY11	12/01/2010–09/30/2011	RY12	10/01/2011 --9/30/2012	RY13	10/01/2012 –09/30/2013	RY14	10/1/2013 – 09/30/2014	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	No change to definition.
Rate Year*	Dates																																	
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<b>RFA and Contract</b>	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.
<b>Satellite Clinic</b>	A facility that operates under a Hospital's license, is subject to the fiscal, administrative, and clinical management of the Hospital, provides services to Members solely on an outpatient basis, is not located at the same site as the Hospital's inpatient facility, and demonstrates to EOHHS's satisfaction that it has CMS provider-based status in accordance with 42 CFR 413.65.	No change to definition.
<b>School-Based Health Center (SBHC)</b>	A center located in a school setting which: (1) provides health services to MassHealth Members under the age of 21; (2) operates under a Hospital's license; (3) is subject to the fiscal, administrative, and clinical management of a Hospital Outpatient Department or HLHC; and (4) provides services to Members solely on an outpatient basis.	No change to definition.
<b>Usual and Customary Charges</b>	Routine fees that Hospitals charge for Outpatient Services rendered to patients regardless of payer sources.	No change to definition.
<b>Wholesale Acquisition Cost (WAC)</b>	Not applicable.	The wholesale acquisition cost (WAC) of the Drug as published by First Data Bank or other national price compendium designated by EOHHS.

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**III. Payment for Outpatient Services**

**A. Overview**

Except as otherwise provided for Outpatient Services specified in **Sections I.B, III.C through III.E, and III.E-1** (as applicable to the 2<sup>nd</sup> RY18 Period), and in **Exhibit 1**, Hospitals will receive a Hospital-specific, Episode-specific payment for each Episode known as the Adjudicated Payment per Episode of Care (APEC), calculated as set forth in **Section III.B**, below. This payment methodology is applicable to all public and private providers.

Except as otherwise provided for medically necessary services to a MassHealth Standard or CommonHealth member under 21, hospitals will not be paid for Outpatient Hospital Services specified as non-payable in Subchapter 6 of the MassHealth Acute Outpatient Hospital Manual.

For dates of service in RY18 beginning October 1, 2017 through September 30, 2018, Critical Access Hospitals are paid in accordance with **Exhibit 1**.

**B. Adjudicated Payment per Episode of Care (APEC)**

**1. Rate Year 2018 APEC Payment Methodology**

RY18 is bifurcated into the 1<sup>st</sup> RY18 Period and the 2<sup>nd</sup> RY18 Period for purposes of applying the APEC payment methodology. The APEC methodology is set forth in **Section III.B.2**, below. The “**1<sup>st</sup> RY18 Period**” column applies to dates of service in the 1<sup>st</sup> RY18 Period, and incorporates applicable definitions in **Section II** that apply to the 1<sup>st</sup> RY18 Period. The “**2<sup>nd</sup> RY18 Period**” column applies to dates of service in the 2<sup>nd</sup> RY18 Period, and incorporates applicable definitions in **Section II** that apply to the 2<sup>nd</sup> RY18 Period. As an exception, for Episodes that extend past midnight in the case of Emergency Department or Observation Services, if the Episodes’ first date of service occurs in the 1<sup>st</sup> RY18 Period, then the 1<sup>st</sup> RY18 Period APEC methodology applies to the entire Episode. The 1<sup>st</sup> RY18 Period APEC methodology is the same methodology that applied during RY17, effective beginning December 30, 2016, under approved SPA TN-016-016.

<b>1<sup>st</sup> RY18 Period (for dates of service in the 1<sup>st</sup> RY18 Period)</b>	<b>2<sup>nd</sup> RY18 Period (for dates of service in the 2<sup>nd</sup> RY18 Period)</b>
<p><b>2. Description of APEC payment method</b></p> <p>Hospitals will receive a Hospital-specific, Episode-specific all-inclusive facility payment for each payable Episode known as the APEC. The APEC will equal the sum of (1) the Episode-Specific Total EAPG Payment, plus (2), if</p>	<p><b>2. Description of APEC payment method</b></p> <p>Hospitals will receive a Hospital-specific, Episode-specific all-inclusive facility payment for each payable Episode known as the APEC. The APEC will equal the sum of (1) the Episode-Specific Total EAPG Payment, plus (2), if</p>

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**E-1. Payment for APEC Carve-Out Drugs**

This **Section III.E-1** applies to dates of service in the 2<sup>nd</sup> RY18 Period, and does not apply to the 1<sup>st</sup> RY18 Period. The definitions applicable to the 2<sup>nd</sup> RY18 Period from **Section II** are incorporated.

Payment to Hospitals for APEC Carve-Out Drugs administered to Members during an outpatient hospital visit 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.