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State/Territory Name: MA

State Plan Amendment (SPA): 22-0039

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
7500 Security Boulevard, Mail Stop S3-14-28
Baltimore, Maryland 21244-1850



Financial Management Group

March 17, 2023

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

RE: State Plan Amendment (SPA) TN 22-0039

Dear Secretary Sudders:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 22-0039. Effective October 1, 2022, this amendment proposes rate year ((RY) 2023 updates to reimbursement methods and standards for privately-owned psychiatric hospitals and substance abuse treatment hospitals.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1923 and 1903(a) of the Social Security Act and the implementing Federal regulations at 42 CFR Part 447. This letter is to inform you that Massachusetts 22-0039 is approved effective October 1, 2022. The CMS-179 and approved plan pages are enclosed.

If you have any questions, please contact Novena James-Hailey at (617) 565-1291 or Novena.JamesHailey@cms.hhs.gov.

Sincerely,



Rory Howe
Director

Enclosures

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

| | |
|--|-----------------------|
| 1. TRANSMITTAL NUMBER <u>2 2 - 0 0 3 9</u> | 2. STATE <u>MA</u> |
| 3. PROGRAM IDENTIFICATION: TITLE <u>XIX</u> OF THE SOCIAL SECURITY ACT | |

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
10/01/2022

5. FEDERAL STATUTE/REGULATION CITATION
42 USC 1396a(a)(13); 42 CFR Part 447; 42 CFR 440.10

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

| | |
|----------------------|---|
| a. FFY ²³ | \$ -3,573,000 952,000 |
| b. FFY ²⁴ | \$ -3,573,000 952,000 |

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-A(2b) pp. 1- 6iv

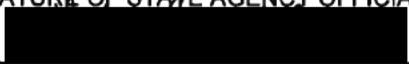
8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)

Attachment 4.19-A(2b) pp.1-6v

9. SUBJECT OF AMENDMENT
An amendment regarding methods of payment for privately-owned psychiatric hospitals and substance abuse treatment hospitals

10. GOVERNOR'S REVIEW (Check One)

| | |
|--|---|
| <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT | <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: Not required under 42 CFR 430.12(b)(2)(i) |
| <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED | |
| <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL | |

11. SIGNATURE OF STATE AGENCY OFFICIAL


12. TYPED NAME
Marylou Sudders

13. TITLE
Secretary

14. DATE SUBMITTED
12/30/2022

15. RETURN TO

The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Office of Medicaid
One Ashburton Place, Room 1109
Boston, MA 02108


FOR CMS USE ONLY

16. DATE RECEIVED
December 30, 2022

17. DATE APPROVED
March 17, 2023

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
October 1, 2022

19. SIGNATURE OF APPROVING OFFICIAL


20. TYPED NAME OF APPROVING OFFICIAL
Rory Howe

21. TITLE OF APPROVING OFFICIAL
Director, Financial Management Group

22. REMARKS
Pen and ink changes in box #6 per state

State Plan under Title XIX of the Social Security Act
State: Massachusetts
Methods Used to Determine Rates of Payment for Privately-Owned Psychiatric 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), pursuant to the provisions of M.G.L. c. 118E, §13A, to establish the rates and terms of payment by contract for dates of service effective October 1, 2022 for services rendered by Privately-Owned Psychiatric hospitals and for dates of service effective November 1, 2022 for services rendered by Substance Abuse Treatment Hospitals to patients entitled to medical assistance under M.G.L. c. 118E, §1 et seq. These rates of payment do not apply to Members who are enrolled in MassHealth MCEs.

- (1) EOHHS payment for inpatient services for psychiatric hospitals:
 - (a) EOHHS established an inpatient per diem rate for all participating psychiatric hospitals, covering both routine and ancillary services provided to inpatients, paid in addition to the per inpatient admission rate.
 - (b) EOHHS established a per inpatient admission rate for all participating psychiatric hospitals, determined by certain criteria met upon member admission, paid in addition to the inpatient per diem rate.
- (2) EOHHS established an all-inclusive Administratively Necessary Day per diem Rate (AND Rate) for psychiatric hospitals for each Administratively Necessary Day. The AND Rate is an all-inclusive daily rate paid for each Administratively Necessary Day.
- (3) EOHHS established a performance-based quality incentive payment for all eligible psychiatric hospitals based on performance and compliance with reporting requirements.
- (4) EOHHS established a comprehensive inpatient per diem rate for all participating substance abuse treatment hospitals covering both routine and ancillary services provided to inpatients.
- (5) EOHHS established a performance-based quality incentive payment for all eligible substance abuse treatment hospitals based on compliance with reporting requirements.

II. Definitions

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

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

Behavioral Health (BH) Contractor: An entity with which EOHHS contracts to provide, arrange for and coordinate behavioral health services to enrolled Members on a capitated basis.

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

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

DMH-Licensed Bed – a bed in a Hospital that is located in a unit licensed by the Department of Mental Health (DMH), pursuant to 104 CMR 27.00 et seq.

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

Inpatient Per Diem Rate: A daily rate of payment for any and all Inpatient Psychiatric Services provided to a Member by a Privately-Owned Psychiatric Hospital or Substance Abuse Treatment Hospital. In the case of Privately-Owned Psychiatric Hospitals, the Inpatient Per Diem Rate is paid in addition to the Per Inpatient Admission Rate.

Managed Care Organization (MCO): An 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 as set forth in 42 CFR Part 438.2. In addition, MCOs include Accountable Care Partnership Plans, One Care plans and Senior Care Organizations (SCOs).

Managed Care Entity (MCE): A MCO or the behavioral health contractor which provides or arranges services for enrolled Members under a MassHealth contract.

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

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

Per Inpatient Admission Rate: a rate paid to a Privately-Owned Psychiatric Hospital per inpatient admission based on criteria met upon member admission. The Per Inpatient Admission Rate is paid in addition to the Inpatient Per Diem Rate.

Program For All Inclusive Care for the Elderly (PACE): PACE provides a complete package of acute and long-term care services to eligible frail elders, as described under Section 1934 of the Social Security Act and federal PACE regulations at 42 CFR 460.

Psychiatric Inpatient Hospital (Psychiatric Hospital): A hospital licensed by DMH pursuant to M.G.L. c. 19, § 19.

Quality Improvement Plan (QIP): An organized effort to address and improve performance in a process and outcome. It involves identifying a particular area for improvement, identifying the problem areas in the process, proposing specific changes that address the root causes of the problem, implementing these changes, and evaluating the success of such changes.

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

III. Payment Methodology

A. Privately-Owned Psychiatric Hospitals

Payment for Inpatient Services

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- (1) The Statewide Inpatient Per Diem Rate is a daily rate for all participating psychiatric hospitals, covering both routine and ancillary services provided to inpatients, paid in addition to the Per Inpatient Admission Rate. The Statewide Inpatient Per Diem Rate is calculated using the following factors:
 - (a) Base Year Costs. Base year costs are equivalent to the total Patient Service Expense Including Capital appearing on the FY 2018 Massachusetts Hospital Cost Reports. Per diem rates for each hospital were calculated by dividing each hospital's base year costs by the hospital's total base year bed days. The base year cost component of the statewide inpatient per diem rate for all hospitals was calculated by taking the average of all individual hospital's calculated per diem rate.
 - (c) Inflation Adjustment to Base Year Costs. The average base year cost is further adjusted to account for inflation from the base year. An inflationary adjustment to base year costs of 6.934% was sourced from 2018-2021 inflationary adjustment factors provided by the Center for Health Information and Analysis (CHIA) which reflects a blended psychiatric and acute hospital inflationary adjustment factor.
 - (c) Other Adjustments to Base Year Costs. The inflation adjusted base year costs are further adjusted to account for additional hospital costs related to programmatic requirements of Inpatient Psychiatric Hospitals, including core clinical competencies related to substance use disorders, medical comorbidities, and severe behavioral presentation. These other adjustments account for an additional 0.21% increase over inflation adjusted base year costs.
 - (d) The resulting Statewide Inpatient Per Diem rate for privately owned psychiatric hospitals in effect as of October 1, 2021, is \$954.59.
- (2) The Per Inpatient Admission Rate is a per inpatient admission rate for all participating psychiatric hospitals, determined by certain criteria for member admissions, paid in addition to the inpatient per diem rate. The Per Inpatient Admission Rate is calculated using the following factors:
 - (a) Baseline Admission Value: The baseline admission value is determined by multiplying the average length of stay for inpatient admissions by the statewide psychiatric inpatient per diem, resulting in a baseline admission value of \$7664.80.
 - (b) Per Inpatient Admission Rate Criteria: Both weekday and weekend per inpatient admission rates utilize the same eligibility criteria. The Category 1

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per inpatient admission rate will apply in instances where the member does not meet the criteria for either the Category 2 or Category 3 per inpatient admission rates. The Category 2 per inpatient admission rate will apply when the admission does not meet the criteria for the Category 3 per inpatient admission rate, and the admission meets at least one of the following: 1) the member is aged at 14 to 17 years old (inclusive); 2) the member has a diagnosis of Autism Spectrum Disorder and Intellectual Disability Disorder; or 3) the member is housing unstable. The Category 3 per inpatient admission rate will apply when the admission meets at least one of the following: 1) the member is 13 years or younger; 2) the member is 65 years or older; or 3) the member is affiliated with another Massachusetts human services agency.

- (c) **Weekday Per Inpatient Admission Rates:** Weekday inpatient admission rates apply to member admissions occurring Monday through Friday. The Category 1 weekday per inpatient admission rate is established as 4.57% percent of the baseline admission value, resulting in a rate of \$350. The Category 2 weekday per inpatient admission rate is established as 19.57% of the baseline admission value added to the Category 1 inpatient admission rate, resulting in a rate of \$1850. The Category 3 weekday per inpatient admission rate is established as 34.25% of the baseline admission value added to the Category 1 inpatient admission rate, resulting in a rate of \$2975. The resulting weekday per inpatient admission rates are in effect as of October 1, 2022.
- (d) **Weekend Per Inpatient Admission Rates:** Weekend inpatient admission rates apply to member admissions occurring on Saturday or Sunday. The rates for the Category 1, Category 2, and Category 3 weekend per admission inpatient rates are the sum of the respective Category 1, Category 2, and Category 3 weekday per admission inpatient rates, plus 8.48% of the baseline admission value. This results in a Category 1 weekend per admission inpatient rate \$1000, a Category 2 weekend per admission inpatient rate of \$2500, and a Category 3 weekend per admission inpatient rate of \$3625. The resulting weekend per inpatient admission rates are in effect as of October 1, 2022.

Administratively Necessary Days

- (3) A hospital will be paid for administratively necessary days (AND) using an administratively necessary day per diem rate (AND Rate). For the period beginning October 1, 2020, the base per diem payment is \$705.83.

Determination of Quality Performance Incentive Payments

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Methods Used to Determine Rates of Payment for Privately-Owned Psychiatric Inpatient Hospital Services

- (4) Psychiatric hospitals qualify for performance-based quality incentive payments. Such payments will be determined using the following factors:
- (5) Baseline. Baselines for psychiatric hospitals are calculated by taking median performance of qualifying hospitals using the Centers for Medicare and Medicaid Inpatient Psychiatric Facility Quality Reporting (IPFQR) for CY2020.
- (6) Achievement Threshold. The achievement threshold for psychiatric hospitals is calculated by taking median performance of qualifying hospitals using CMS's Inpatient Psychiatric Facility Quality Reporting (IPFQR) for CY2021.
- (7) Performance Measurement. Performance for qualifying psychiatric hospitals is measured by achievement of the threshold or improvement upon the baseline for the IPFQR measure and compliance with reporting requirements for other measures, submission of a Quality Improvement Plan (QIP), and successful attainment of QIP goals from the prior rate year. The measures are weighted as follows: IPFQR - 50%; submission of Quality Improvement Plan - 35%; successful attainment of goals from prior-year's QIP - 15%.
- (8) Payment. Payment to psychiatric hospitals will be proportional to the performance measurement outcome. The 2023 total pool amount is \$1 million, and payments will not exceed this amount.

Payment for Unique Circumstances

(9) Pediatric Inpatient Supplemental Per Diem Payment

A. Definitions

For purposes of this Section III.A.9, the following terms shall have the following meanings:

1. Pediatric – a Member under 19 years of age.
2. Pediatric Inpatient Bed-Days Baseline - the adjusted CY19 Pediatric Inpatient Bed-Days for a given performance period, calculated in accordance with Section III.A.9.B.2.
3. Pediatric Inpatient Bed-Days Volume - Pediatric inpatient bed-days utilization equal to the Hospital's Pediatric Inpatient Bed-Days for a particular period.
4. Pediatric Inpatient Bed-Day – a day on which a Hospital provided Pediatric Inpatient Services to a Pediatric Member for which payment was made by MassHealth or a Managed Care Entity, as determined by

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EOHHS. Pediatric Inpatient Bed-Days shall include each day of utilization for each Pediatric Member to whom Pediatric Inpatient Services were rendered.

5. First RY23 Performance Period – the period beginning on October 1, 2022 and ending on March 31, 2023.
6. Second RY23 Performance Period – the period beginning on April 1, 2023 and ending on September 30, 2023.
7. RY23 Performance Period – either the First RY23 Performance Period or the Second RY23 Performance Period.

B. Eligibility Criteria

1. A Psychiatric Hospital is eligible for a Pediatric Inpatient Per Diem Supplemental Payment or Payments if its Pediatric Inpatient Bed-Days Volume for an RY23 Performance Period, calculated in accordance with Section III.A.9.B.3, exceeds its Pediatric Inpatient Bed-Days Baseline for that RY23 Performance Period, calculated in accordance with Section III.A.9.B.2. EOHHS shall determine a Hospital's eligibility to receive payment pursuant to this Section III.A.9.B.
2. EOHHS shall calculate a Hospital's Pediatric Inpatient Bed-Days Baseline for an RY23 Performance Period as follows:
 - a. If the Hospital had at least one Pediatric Inpatient Bed-Day during each calendar month in CY2019, EOHHS will determine the Hospital's Pediatric Inpatient Bed-Days Volume during Calendar Year 2019 ("CY19 Pediatric Inpatient Bed-Days") by summing all of the Hospital's Pediatric Inpatient Bed-Days during CY19, determined based on CY2019 fee-for-service MMIS paid claims and encounter data submitted to EOHHS by Managed Care Entities as of September 11, 2020.
 - b. If the Hospital had zero Pediatric Inpatient Bed-Days during at least one calendar month in CY2019, EOHHS will calculate the Hospital's CY19 Pediatric Inpatient Bed-Days Volume as follows:
 - i. If the Hospital had zero Pediatric Inpatient Bed-Days during at least one calendar month in the second half of CY19 (July to December), EOHHS will determine the Hospital's Pediatric Inpatient Bed-Days Volume during Calendar Year 2019 ("CY19 Pediatric Inpatient Bed-Days"), by summing all of the Hospital's Pediatric Inpatient Bed-Days during CY19, determined based on CY2019 fee-for-service MMIS paid claims and encounter data

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- submitted to EOHHS by Managed Care Entities as of September 11, 2020.
- ii. If a Hospital not described in Section III.A.9.B.2.b.i had zero Pediatric Inpatient Bed-Days during at least one calendar month in the first half of CY19 (January to June), EOHHS will determine the Hospital's Pediatric Inpatient Bed-Days Volume during the second half of Calendar Year 2019, by summing all of the Hospital's Pediatric Inpatient Bed-Days during the second half of CY19, determined based on CY2019 fee-for-service MMIS paid claims and encounter data submitted to EOHHS by Managed Care Entities as of September 11, 2020. The Hospital's CY19 Pediatric Inpatient Bed-Days shall equal 200% of the Hospital's Pediatric Inpatient Bed-Days Volume during the second half of CY19.
 - c. EOHHS will multiply the Hospital's CY19 Pediatric Inpatient Bed-Days (as calculated pursuant to Section III.A.9.B.2.a, III.A.9.B.2.b.i, or III.A.9.B.2.b.ii) by 80%, resulting in the Hospital's Pediatric Inpatient Bed-Days Baseline.
 - d. The Hospital's Pediatric Inpatient Bed-Days Baseline for the First RY23 Performance Period shall equal 52.5% of the amount calculated in Section III.A.9.B.2.c.
 - e. The Hospital's Pediatric Inpatient Bed-Days Baseline for the Second RY23 Performance Period shall equal 47.5% of the amount calculated in Section III.A.9.B.2.c.
3. A Hospital's Pediatric Inpatient Bed-Days Volume during an RY23 Performance Period shall be calculated as follows:
- a. The Hospital's Pediatric Inpatient Bed-Days Volume for an RY23 Performance Period shall equal the sum of the Hospital's Inpatient Bed-Days during that RY23 Performance Period.
 - b. EOHHS will determine the Hospital's Pediatric Inpatient Bed-Days Volume for the first RY23 Performance Period utilizing RY23 fee-for-service MMIS paid claims and managed care encounter data submitted to EOHHS by Managed Care Entities by September 30, 2023.
 - c. EOHHS will determine the Hospital's Pediatric Inpatient Bed-Days Volume for the Second RY23 Performance Period utilizing RY23 fee-

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for-service MMIS paid claims and managed care encounter data
submitted to EOHHS by Managed Care Entities by March 31, 2024.

C. Payment Methodology:

Subject to compliance with all applicable federal rules and payment limits, for each Hospital eligible for a Pediatric Inpatient Per Diem Supplemental Payment for an RY23 Performance Period in accordance with Section III.A.9.B, the payment shall equal \$330 multiplied by the number of days by which the Pediatric Inpatient Bed-Days Volume for an RY23 Performance Period, calculated in accordance with Section III.A.9.B.3, exceeds the Pediatric Inpatient Bed-Days Baseline for that RY23 Performance Period, calculated in accordance with Section III.A.9.B.2.

B. Substance Abuse Treatment Hospitals

Determination of Inpatient per Diem Rates

- (1) The inpatient per diem rate is an all-inclusive daily rate paid for any and all inpatient care and services provided by a substance abuse treatment hospital to eligible Medicaid recipients. The per diem rate covers all treatment components such as room and board, routine nursing and hospital-based physician services, medications, initial substance abuse and psychiatric assessments, individual, family and group inpatient therapy services, radiology, ancillary services, overhead, and other services as is the customary practice among similar providers. The inpatient per diem rate is calculated as follows:
- (2) Base Year Costs. Base year costs are equivalent to the total Patient Service Expense Including Capital appearing on the FY 2019 Massachusetts Hospital Cost reports. Per diem rates for each hospital were calculated by dividing each hospital's base year costs by the hospital's total base year bed days.
- (3) Inflation Adjustment to Base Year Costs. The average base year cost is further adjusted to account for inflation from the base year. An inflationary adjustment factor of 14.627% for the period of 2019-2023 was sourced from 2016-based Inpatient Psychiatric Facilities Index provided by CMS, and a mid-point methodology was utilized.
- (4) The resulting inpatient per diem rate for substance abuse treatment hospitals in effect as of November 1, 2022 is \$908.35.

Determination of Quality Performance Incentive Payments

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- (4) Substance abuse treatment hospitals can qualify for performance-based quality incentive payments.
- (5) Performance Measurement. Qualifying substance abuse treatment hospitals will be measured by submission of meaningful use data and reporting on the quality improvement plan.
- (6) Payment. Payment to substance abuse treatment hospitals will be proportional to the completion of the meaningful use data submissions and reporting requirements. The 2023 total pool amount is \$1 million, and payments will not exceed this amount.