



MassHealth
All Provider Bulletin 263
December 2016

TO: All Providers Participating in MassHealth
FROM: Daniel Tsai, Assistant Secretary for MassHealth
RE: **Changes to MassHealth Payment Method for Out-of-State Acute Outpatient Hospital Services**

Overview

MassHealth is changing the payment method for out-of-state acute *outpatient* hospital services, **effective for dates of service on or after December 30, 2016**. The new methodology is intended to bring the MassHealth payment method for out-of-state acute outpatient hospital services in line with changes being made, also effective December 30, 2016, to the corresponding in-state method. There are no changes to the payment methods for out-of-state acute *inpatient* hospital services or for services not available in state, which will remain as set forth in 130 CMR 450.233(D)(1) and (D)(3), respectively.

Payment Methods for Out-of-State Acute Outpatient Hospital Services

Effective for dates of service on or after December 30, 2016, out-of-state acute hospitals will be paid for outpatient services utilizing an adjudicated payment per episode of care (APEC) payment methodology (“Out-of-State APEC”), which is further described below, or in accordance with applicable fee schedules in regulations adopted by EOHHS for services for which in-state acute hospitals are not paid the APEC.¹ The exception for services unavailable in-state, in 130 CMR 450.233(D)(3), will continue to apply.

A. Out-of-State APEC Methodology

The Out-of-State APEC is an episode-specific, all-inclusive facility payment for all APEC-covered services in the episode. “APEC-covered services” are outpatient services for which in-state acute hospitals are paid the APEC, and “episode” refers to all APEC-covered services 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. For proper payment of the Out-of-State APEC, hospitals must include on a single claim all of the APEC-covered services that correspond to the episode, and must otherwise submit properly completed outpatient hospital claims.

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¹ The new Out-of-State APEC methodology described in this Bulletin will be replacing the median in-state acute hospital PAPE (payment amount per episode) methodology set forth in 130 CMR 450.233(D)(2), effective with dates of service on or after December 30, 2016. MassHealth is in the process of updating its regulations to incorporate this change.

A. Out-of-State APEC Methodology (cont.)

The Out-of-State APEC for each payable episode will equal the sum of (1) the episode-specific total EAPG (Enhanced Ambulatory Patient Group) payment and (2) the APEC outlier component(if applicable), which are each described more fully below.

- (1) The “episode-specific total EAPG payment” is equal to the sum of all of the episode’s claim detail line EAPG payment amounts, where each claim detail line EAPG payment amount is equal to the product of the APEC outpatient statewide standard in effect for in-state acute hospitals on the date of service, and the claim detail line’s adjusted EAPG weight. 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 for this calculation.
 - a. EAPG refers to Enhanced Ambulatory Patient Group. EAPGs are assigned to claim detail lines containing APEC-covered services based on information contained on a properly submitted outpatient hospital claim by the 3M EAPG grouper, and refer to a group of outpatient services that have been bundled for purposes of categorizing and measuring case mix.
 - b. 3M EAPG grouper refers to the 3M Corporation’s EAPG grouper that has been configured for the MassHealth APEC methodology.
 - c. MassHealth EAPG weight refers to the MassHealth relative weight developed by MassHealth for each unique EAPG.

- (2) The “APEC outlier component” equals the marginal cost factor in effect for in-state acute hospitals on the date of service, multiplied by the difference between the episode-specific case cost and the episode-specific outlier threshold. If the episode-specific case cost is less than the episode-specific outlier threshold, then the APEC outlier component is \$0.
 - a. The “episode-specific case cost” is determined by MassHealth by multiplying the sum of the allowed charges for all of the claim detail lines with APEC-covered services in the episode that adjudicate to pay, by the following cost-to-charge ratio.
 - i. For a High MassHealth Volume Hospital,² the hospital’s outpatient cost-to-charge ratio for the most recent complete rate year used for in-state acute hospitals, as determined by MassHealth;
 - ii. For all other out-of-state acute hospitals, the median in-state acute outpatient hospital cost-to-charge ratio in effect on the date of service, based on MassHealth episode volume, as determined by MassHealth.
 - b. The “episode-specific outlier threshold” equals the sum of the episode-specific total EAPG payment corresponding to the episode, and the fixed outpatient outlier threshold in effect for in-state acute hospitals on the date of service.
 - c. In no case is an APEC outlier component payable if the episode-specific total EAPG payment is \$0.

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² A High MassHealth Volume Hospital is any out-of-state acute hospital provider that had at least 150 MassHealth discharges during the most recent federal fiscal year for which complete data is available as determined by the MassHealth agency at least 90 days prior to the start of each federal fiscal year.

B. More Information

For more information on both the in-state and out-of-state APEC payment methodologies for acute hospitals, providers may visit the MassHealth website at www.mass.gov/masshealth. Click on the links to Other Resources and Publications then Special Notices for Acute Hospitals, and see notices under the heading Acute Hospital Rate Year 2017 Notices.

Out-of-state acute hospital rates and rate components will be updated each MassHealth hospital-rate year (HRY) which is generally in effect from October 1 through September 30 of a given year, although certain updates may also occur during the MassHealth HRY. Updated rates and rate components will be published on the MassHealth website at www.mass.gov/masshealth on the Special Notices for Acute Hospitals page referenced above. Providers are encouraged to periodically visit this site for further information.

Questions

If you have any questions about the information in this bulletin, please contact the MassHealth Customer Service Center at 1-800-841-2900, e-mail your inquiry to providersupport@mahealth.net, or fax your inquiry to 617-988-8974.