

## NOTICE OF FINAL AGENCY ACTION

**SUBJECT:** MassHealth: Amended Payment for Privately Owned Psychiatric Hospital Services effective January 22, 2021

**AGENCY:** Massachusetts Executive Office of Health and Human Services

### SUMMARY OF FINAL ACTION

Pursuant to the provisions of M.G.L. c. 118E, §13A, rates and terms of payment for services rendered by psychiatric hospitals to patients entitled to medical assistance under M.G.L. c. 118E, §1 *et seq.* are established by contract between the MassHealth Program and participating hospitals. This notice describes methods and standards for the establishment of rates of payment by contract, effective January 22, 2021, between the Executive Office of Health and Human Services (EOHHS) and participating privately owned psychiatric hospitals licensed by the Department of Mental Health (DMH). The contract does not cover services provided to patients enrolled with the MassHealth Primary Care Clinician Plan's behavioral health contractor, or with other MassHealth-contracted managed care entities.

### DESCRIPTION OF FINAL AMENDED METHODS AND STANDARDS

MassHealth pays privately owned psychiatric hospitals (1) a hospital-specific supplemental inpatient per diem rate, and (2) a hospital-specific supplemental payment for expanding licensed and operational inpatient capacity. These payments are further described herein. The methods and standards described herein are projected to result in a 34.6% increase in annual aggregate expenditures in Rate Year 2021 (RY 2021). The actual change in aggregate expenditures is estimated to be \$20,830,000.00; however, it may vary depending on actual utilization of services. Of the estimated increase in aggregate expenditures of \$20,830,000.00, the supplemental inpatient per diem payment portion of the estimated increase is \$6,150,000.00, and the supplemental payment for expanding licensed and operational IP Psych beds is \$14,680,000.00.

### JUSTIFICATION

All changes to hospital payment rates and methods described below are in accordance with state and federal law and are within the range of reasonable payment levels to privately owned psychiatric hospitals.

Except as specified in this notice, the MassHealth privately owned psychiatric hospital payment methods for RY2021 are otherwise unchanged from those set forth in the Notice of Final Agency Action for RY21. The Notice of Final Agency Action for RY21 is available under the heading "Psychiatric Hospital Rate Year 2021 Notices" page of the MassHealth website at <https://www.mass.gov/lists/special-notice-for-psychiatric-hospitals>.

To request copies of written comments received regarding RY2021 payment methods, you may contact:

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Or by email: [Muriel.Freeman@mass.gov](mailto:Muriel.Freeman@mass.gov)

### STATUTORY AUTHORITY:

M.G.L. c. 118E; 42 USC 1396 *et seq.*

Related Regulations:  
42 CFR Part 447

**EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES  
PSYCHIATRIC HOSPITAL SERVICES  
FINAL METHODS AND STANDARDS  
FOR RATES EFFECTIVE JANUARY 22, 2021**

The following sections describe the methods and standards to be utilized by the Executive Office of Health and Human Services (EOHHS) to establish rates of payment by contract, to be effective January 22, 2021, to privately owned psychiatric hospitals licensed by DMH.

**DESCRIPTION OF METHODS AND STANDARDS**

**Supplemental Inpatient Per Diem Payment**

Psychiatric hospitals may qualify for supplemental per diem payments. Supplemental payments will be determined using the following methodology:

1. **Baseline.** Baselines for psychiatric hospitals are calculated using each hospital's CY2019 utilization data for qualifying bed-days. Baselines equal the average utilization for that hospital over a 6-month period, adjusted for seasonality and the COVID pandemic. Adult and pediatric baselines are set separately.
2. **Performance Period.** There are two 6-month performance periods for psychiatric hospitals during RY21. Each 6-month performance period has a separate baseline calculation.
3. **Payment.** Payment to psychiatric hospitals is made based on claims data for the two 6-month performance periods, and is proportional to the increase in volume of qualifying bed-days over the baseline. Payment will be a supplemental per diem rate for all MassHealth member bed-days billed above the baseline. On a case-by-case basis, partial payments are available to psychiatric hospitals that confirm increased bed-day volume, subject to reconciliation. The supplemental per diem rate will be \$250 for adult bed-days and \$330 for pediatric bed-days.

**Behavioral Health Capacity Prospective Supplemental Payment**

Psychiatric hospitals may qualify for supplemental payments conditioned on increasing the number of available inpatient behavioral health bed capacity. These supplemental payments will be determined using the following methodology:

1. **Baseline.** Baselines for psychiatric hospitals are calculated using each hospital's attested to number of operational inpatient behavioral health hospital capacity immediately available during a performance period.
2. **Performance Period.** There are two 6-month performance periods for psychiatric hospitals during RY21. Each 6-month performance period has a separate baseline calculation.
3. **Payment.** Payment to psychiatric hospitals is made based on hospitals' commitments to increase licensed and operational inpatient behavioral health bed capacity, and is proportional to the number of increased operational inpatient behavioral beds over the baselines. The expanded capacity supplemental rate will be \$100,000 per bed during the first performance period, and \$80,000 per bed during the second performance period.

Each hospital receiving an Behavioral Health Capacity Prospective Supplemental Payment must agree, among other things, (1) not to delicense any of its DMH-Licensed Beds through the end of RY24, (2) to maintain a MassHealth payer-mix in its DMH-Licensed Beds of at least 20% in each of RY22, RY23, and RY24,<sup>1</sup> (3) to provide certain reporting, and (4) that any supplemental payment is subject to recoupment, in whole or in part, if the hospital fails to license and operationalize its bed increases in a timely fashion, or otherwise fails to comply with any term or condition of payment, or any of these agreements.

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<sup>1</sup> The MassHealth payer mix is the ratio of all payments the Hospital received from MassHealth or a MassHealth managed care entity for services rendered in its DMH-Licensed Beds, including any bed increases, to all payments the Hospital received from all payers for services rendered in such beds.