

NOTICE OF FINAL AGENCY ACTION

SUBJECT: Payment for Privately Owned Psychiatric Hospital Services Effective October 1, 2023

AGENCY: Massachusetts Executive Office of Health and Human Services, MassHealth

Summary of 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 the methods and standards for the establishment of rates of payment by contract, effective October 1, 2023, 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 behavioral health contractor or with other MassHealth-contracted managed care entities.

Description of Methods and Standards: Inpatient, Outpatient, Administratively Necessary Day Rate, Quality Incentives, and Supplemental Payments

MassHealth pays privately owned psychiatric hospitals using

- (1) a statewide inpatient per diem rate;
- (2) a per diem rate for specialty inpatient psychiatric services for eating disorders;
- (3) a per diem rate for specialty inpatient psychiatric services for children/adolescents with neurodevelopmental disorders;
- (4) a per inpatient admission rate;
- (5) an all-inclusive statewide administratively necessary day per diem rate;
- (6) a hospital-specific cost-to-charge ratio for outpatient hospital services; and
- (7) a hospital-specific, performance-based quality incentive payment.

The methods and standards described herein establish rates that accurately reflect the efficient and economic provision of private psychiatric hospital services. MassHealth updates the rates as further described herein. The methods and standards described herein are projected to result in a 9.3% decrease in annual aggregate expenditures in Rate Year 2024 (RY 2024). The actual decrease in aggregate expenditures is estimated to be \$3,700,000; however, it may vary depending on actual utilization of services.

Included with this notice are the rates of payment effective October 1, 2023. The estimated change in aggregate expenditures reflects:

- 1) the establishment of a new per diem rate for specialty inpatient psychiatric services for eating disorders resulting in an estimated increase of \$1,000,000 over current expenditures;

- 2) the establishment of a new per diem rate for specialty inpatient psychiatric services for children/adolescents with neurodevelopmental disorders resulting in an estimated increase of \$325,000 over current expenditures;
- 3) the expiration of the existing hospital-specific supplemental pediatric inpatient per diem payment resulting in an estimated decrease of \$3,400,000;
- 4) the addition of new criteria for the existing per inpatient admission rate resulting in an estimated increase of \$6,500 over current expenditures;
- 5) the expiration of the existing hospital-specific COVID positive inpatient per diem payment resulting in an estimated decrease of \$1,500,000; and
- 6) The expiration of the Quality Incentive Program and the final establishment of the Clinical Quality Incentive Program resulting in an estimated net decrease of \$75,000.

Justification

All changes to hospital payment rates and methods described herein 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 above, the MassHealth privately owned psychiatric hospital payment methods for RY2024 are substantially similar to those for RY2023. All changes to hospital payment rates and methods are in accordance with state and federal law and are within the range of reasonable payment levels to privately owned psychiatric hospitals.

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To request copies of written comments received regarding RY2024 payment methods and rates, contact:

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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
METHODS AND STANDARDS
FOR RATES EFFECTIVE OCTOBER 1, 2023**

The following sections describe the methods and standards to be used by the Executive Office of Health and Human Services (EOHHS) to establish rates of payment by contract, to be effective October 1, 2023, for services rendered by privately owned psychiatric hospitals licensed by the Department of Mental Health (DMH) to patients with appropriate medical needs.

Description of Methods and Standards

Payment for Inpatient Services

(A) Statewide Standard Psychiatric Per Diem

MassHealth pays privately owned psychiatric hospitals a statewide inpatient per diem rate. The per diem rate of payment is calculated on the basis of three components: base year costs; inflation adjustments to base year costs; and other adjustments to base year costs.

- (1) Base Year Costs:** Base year costs are calculated using the FY 2018 Massachusetts Hospital Cost Reports. Base year costs are equivalent to the total patient service expense including capital. 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 hospitals' calculated per diem rate.

- (2) Inflation Adjustment to Base Year Costs:** The average base year rate is further updated to account for inflation from the base year. An inflationary adjustment factor 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).

- (3) Other Adjustments to Base Year Costs:** The inflation adjusted base year costs are further adjusted to account for additional programmatic requirements of inpatient psychiatric hospitals contributing to additional hospital operating costs. These programmatic requirements include core clinical competencies related to managed substance use disorders, medical comorbidities, and severe behavioral presentation. These other adjustments account for an additional 0.21% increase over inflation adjusted base costs. The resulting inpatient per diem rate for privately owned psychiatric hospitals, in effect as of October 1, 2023, is \$954.59.

(B) Specialty Inpatient Psychiatric Service for Children/Adolescents with Neurodevelopmental Disorders Rate

MassHealth pays privately owned psychiatric hospitals a per diem rate for specialty inpatient psychiatric services for children/adolescents with neurodevelopmental disorders. The per

diem rate is calculated on the basis of three components: base year costs for specialty services; inflation adjustments to base year costs; and other adjustments to base year costs.

- (1) **Base Year Costs:** Base year costs are calculated using CY2022 and CY2023 provider submitted data on costs of specialty services. Base year costs are equivalent to the total patient service expense for providing the core clinical competencies required to provide specialty inpatient psychiatric services for children and adolescents with neurodevelopmental disorders.
- (2) **Salary Adjustment to Base Year Costs:** The average base year rate is further updated to account for salary costs using May 2021 Bureau of Labor Statistics (BLS) State Occupational Employment and Wage Estimates for Massachusetts Wage Data.
- (3) **Inflation Adjustment to BLS Salaries:** The salary adjusted base year costs are further adjusted to account for inflation. A 5.4% inflationary adjustment factor to salary costs was calculated using the Medicare Economic Index (MEI), sourced from the IHS Global Inc. 2021Q3 forecast. A per diem rate was calculated by dividing total costs for a model specialty inpatient psychiatric services unit as detailed above by projected annual bed days. The resulting specialty inpatient per diem rate for inpatient psychiatric services for children and adolescents with neurodevelopmental disorders, in effect as of October 1, 2023, is \$1,936.21.

(C) Rate for Specialty Inpatient Psychiatric Services for Eating Disorders

MassHealth pays privately owned psychiatric hospitals a per diem rate for specialty inpatient psychiatric services for eating disorders. The per diem rate of payment is calculated on the basis of three components: base year costs for specialty services; inflation adjustments to base year costs; and other adjustments to base year costs.

- (1) **Base Year Costs:** Base year costs are calculated using CY2023 provider submitted data on costs of specialty services. Base year costs are equivalent to the total patient service expense for providing the core clinical competencies required to provide specialty inpatient psychiatric services for children and adolescents with eating disorders.
- (2) **Salary Adjustment to Base Year Costs:** The average base year rate is further updated to account for salary costs using May 2021 BLS State Occupational Employment and Wage Estimates for Massachusetts Wage Data.
- (3) **Inflation Adjustment to BLS Salaries:** The salary adjusted base year costs are further adjusted to account for inflation. A 5.4% inflationary adjustment factor to salary costs was calculated using the MEI, sourced from the IHS Global Inc. 2021Q3 forecast. A per diem rate was calculated by dividing total costs for a model specialty inpatient psychiatric services unit as detailed above by projected annual bed days. The resulting specialty inpatient per diem rate for inpatient psychiatric services for eating disorders, in effect as of October 1, 2023, is \$1,500.

(D) Per Inpatient Admission Rate

MassHealth pays privately owned psychiatric hospitals a per inpatient admission rate. The per inpatient admission payments are determined by certain criteria for member admissions and calculated by applying certain percentages against a determined baseline admission value as follows.

- (1) **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 \$7,664.80.
- (2) **Per Inpatient Admission Rates Criteria.** Both weekday and weekend per inpatient admission rates use the same eligibility criteria. The Category 1 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 criteria: 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; 3) the member is homeless or housing unstable; or 4) the member has a diagnosis of an eating disorder. The Category 3 per inpatient admission rate will apply when the admission meets at least one of the following criteria: 1) the member is 13 years old or younger; 2) the member is 65 years old or older; or 3) the member is affiliated with another Massachusetts human services agency.
- (3) **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% 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 \$1,850. 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 \$2,975. The resulting weekday per inpatient admission rates are in effect as of October 1, 2023.
- (4) **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 of \$1,000, a Category 2 weekend per admission inpatient rate of \$2,500, and a Category 3 weekend per admission inpatient rate of \$3,625. The resulting weekend per inpatient admission rates are in effect as of October 1, 2023.

Administrative Days

In rare instances MassHealth pays psychiatric hospitals for administratively necessary days (AND) using an all-inclusive daily rate paid for each AND. Payments for ANDs are made on a per diem basis, using an administratively necessary day per diem rate (AND rate) for the ongoing provision of appropriate clinical care until the date of discharge. The AND rate represents payment in full for all ANDs in all psychiatric hospitals. The AND rate is only applied following clinical case review between an inpatient psychiatric hospital and MassHealth to determine that:

1. clinical disposition calls for discharge;
2. barriers to discharge have been addressed and the discharge plan is ready to be executed;
3. date of discharge has been defined.

Effective October 1, 2023, the AND rate is \$705.83.

Payment for Outpatient Services

MassHealth pays private psychiatric hospitals for outpatient services using an outpatient cost-to-charge ratio. The outpatient cost-to-charge ratio is a fixed percentage that is applied to a hospital's usual and customary charges for outpatient services. Payment for a particular outpatient service shall be equal to the product of the cost-to-charge ratio times the hospital's usual and customary charge for the outpatient service in effect on July 1, 2018, and as reported to CHIA.

This ratio is 64.8% and will be applied uniformly to all facilities.

The outpatient cost-to-charge ratios are as follows:

Hospital	Outpatient Cost-to-Charge Ratio
Arbour, Inc.	64.8%
Bournewood Hospital	64.8%
Haverhill Pavilion	64.8%
Hospital for Behavioral Health Medicine	64.8%
HRI Hospital, Inc.	64.8%
McLean Hospital	64.8%
Fuller Hospital	64.8%
Pembroke Hospital	64.8%
Southcoast Behavioral Health	64.8%
TaraVista Behavioral Health Hospital	64.8%
Walden Behavioral Health Hospital	64.8%
Westborough Behavioral Health Care Hospital	64.8%

Clinical Quality Incentive Payment

Psychiatric hospitals may qualify for clinical quality incentive payments. These payments will be determined using the following factors.

1. **Benchmarks:** Benchmarks for psychiatric hospitals are calculated using Centers for Medicare & Medicaid Services (CMS) 2020 Inpatient Psychiatric Facility Quality Reporting (IPFQR) data and calculated hospital performance on IPFQR measures for 2022 for Medicaid recipients to establish a threshold benchmark, a goal benchmark, and an improvement benchmark calculation.
2. **Hospital Achievement:** Performance achievement will be determined by the difference between an individual psychiatric hospital's CY24 performance and its CY23 performance using chart-abstracted or claims-extracted data for five performance measures. The performance measures align to the CMS IPFQR program and are as follows:
 - a. Transition Record Received by Discharged Patients (TR-1)
 - b. Screening for Metabolic Disorders (SMD)
 - c. Follow-up After Psychiatric Hospitalization (FAPH 7 and FAPH 30)
 - d. Medication Continuation Following Inpatient Psychiatric Discharge (MedCont)
 - e. Unplanned Readmission Following Psychiatric Hospitalization in an Inpatient Psychiatric Facility (IPF Readmission)
3. **Performance Measurement:** Performance for psychiatric hospitals is measured by comparing the psychiatric hospital's achievement to the benchmarks for the IPFQR measures as follows:
 - a. Attainment Target: Attainment points (maximum 9) will be awarded for performance achievement of at least the threshold benchmark and less than the goal benchmark on a performance measure. The threshold benchmark attainment points awarded will be proportional to performance achievement. Attainment points (10) will be awarded for performance achievement above the goal benchmark on a performance measure. The maximum number of attainment points available to a psychiatric hospital is 50.
 - b. Improvement Target: Improvement points (5) will be awarded for performance achievement demonstrating improvement relative to the improvement threshold for each performance measure. The maximum number of improvement points available to a psychiatric hospital is 25. Improvement points may be awarded whether or not the psychiatric hospital attains the threshold or goal benchmarks.
4. **Quality Scoring:** The quality score will be determined by adding the number of points awarded to the psychiatric hospital for attainment and improvement, divided by the maximum number of attainment points (50 points). The resulting quality score represents a ratio value between 0 and 1.00 (inclusive of 0 and 1.00). In cases where the quality score is calculated and yields a score greater than 1.00, the quality score value is capped at 1.00.
5. **Payment:** The maximum amount of payment will be determined by dividing the number of inpatient hospital beds occupied each day by MassHealth members at a psychiatric hospital by the cumulative number of inpatient beds occupied each day by members across all qualifying psychiatric hospitals. The resulting percentage will be multiplied by \$3,875,000 to determine each hospital's maximum eligible payment incentive. Each hospital's maximum eligible payment incentive amount will then be multiplied by the psychiatric hospital's overall quality score (0–1.00) to determine the actual amount of payment.