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COMMONWEALTH OF MASSACHUSETTS
OFFICE OF MEDICAID
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NOTICE OF FINAL AGENCY ACTION

SUBJECT: MassHealth: Payments to a Non-Acute Chronic Hospital, effective October 1, 2025

AGENCY: Massachusetts Executive Office of Health and Human Services

SUMMARY OF FINAL ACTION

Under the provisions of M.G.L. c. 118E, section 13A, rates and methods of payment for services rendered by chronic disease and rehabilitation hospitals to patients entitled to medical assistance under M.G.L. c. 118E, section 1 *et seq.* are established by contract between the MassHealth program and participating hospitals. This notice describes the amended methods and standards used for the establishment of inpatient and outpatient rates by contract, effective October 1, 2025, between the Executive Office of Health and Human Services (EOHHS) and a privately owned health care facility licensed by the Department of Public Health as a Non-Acute Chronic Hospital with no fewer than 500 licensed beds as of June 30, 2005, with no fewer than 150,000 Medicaid patient days in the state fiscal year ended June 30, 2006, and with an established geriatric teaching program for physicians, medical students, and other health professionals. There is currently one facility, Hebrew Rehabilitation Center (HRC), that meets these criteria.

DESCRIPTION OF METHODS AND STANDARDS

The methods and standards described herein are being proposed to establish rates by contract that accurately reflect the efficient and economic provision of chronic disease services and/or comprehensive rehabilitation services. The methods and standards described here are projected to result in an increase totaling approximately $0.00 in annual aggregate expenditures in rate year (RY) 2026. However, the actual change in aggregate expenditures may vary depending on actual utilization of services.

Included with this notice are the proposed rates of payment effective October 1, 2025. Please send comments about this notice to Pavel Terpelets, MassHealth Office of Long Term Services and Supports, One Ashburton Place, 3rd Floor, Boston, MA 02108.

STATUTORY AUTHORITY:
M.G.L. c. 118E

Related Regulations:
42 CFR, Part 447

Posted September 30, 2025

Executive Office of Health and Human Services
Hebrew Rehabilitation Center

Amended Methods and Standards
For Rates Effective October 1, 2025

The following sections describe the amended methods and standards used by the Executive Office of Health and Human Services (EOHHS) to establish rates of payment by contract, effective October 1, 2024, for services rendered by a privately owned health care facility licensed by the Department of Public Health as a Non-Acute Chronic Hospital with no fewer than 500 licensed beds as of June 30, 2005, with no fewer than 150,000 Medicaid patient days in the state fiscal year ended June 30, 2006, and with an established geriatric teaching program for physicians, medical students, and other health professionals. There is one facility, Hebrew Rehabilitation Center (HRC), that meets these criteria.

Section 1: Inpatient Per Diem Rates

The inpatient per diem Rates are all-inclusive daily rates paid for any, and all, inpatient care and services provided by HRC to a MassHealth member. A rate adjustment may be incorporated whenever attributable to cost misreporting, audit findings, non-allowable cost, adjustments required under M.G.L. c. 29, §9C, or any other adjustment that is required by state or federal law. The inpatient per diem Rates are derived using the following methods:

A. Per Diem Rate 1: Inpatient per diem Rate 1 is derived using the following method: the sum of a hospital's base year operating costs (Section 1, Paragraph A.2.), and the allowable capital costs (Section 1, Paragraph A.4) divided by a hospital's base year patient days, inflated by the Adjustment to Base Year Operating and Capital Costs (Section 1, Paragraph A.6.).

   1. Data Sources.
      a. The base year for inpatient costs is the hospital fiscal year (HFY) 2016. The MassHealth program utilizes the costs, statistics, and revenue reported in the HFY 2016 Massachusetts Hospital Cost Report filed by HRC with the Center for Health Information Analysis (CHIA).

      b. Inpatient costs include only costs incurred or to be incurred in the provision of hospital care and services, supplies and accommodations and determined in accordance with the Principles of Reimbursement for Provider Costs under 42 U.S.C. §§1395 *et seq*. as set forth in 42 CFR 413 *et seq*. and the Provider Reimbursement Manual, the HURM Manual, and Generally Accepted Accounting Principles. All references to specific tabs, columns and lines refer to the Massachusetts Hospital Cost Report filed with and reviewed by CHIA.

      c. The calculations use HRC's costs and statistics, as adjusted as a result of audits or reviews conducted by EOHHS. The MassHealth program may also request additional information, data, and documentation from HRC or CHIA as necessary to calculate rates.

      d. If the specified data source is unavailable or inadequate, the MassHealth program will determine and use the best alternative data source and/or it may perform a statistical analysis to ensure comparability of data. If required information is not furnished by a hospital within the applicable time period, it may not receive any increase to its rate.

   2. Determination of Base Year Inpatient Operating Costs. Base Year Inpatient Operating Costs are the sum of total Inpatient Direct Routine Costs, Inpatient Direct Ancillary Costs, and Inpatient Overhead Costs as described below.

      a. Inpatient Direct Routine Costs. Inpatient Direct Routine Costs are the Total Inpatient Routine Costs derived from the Massachusetts Hospital Cost Report.

b. Inpatient Direct Ancillary Costs. Inpatient Direct Ancillary Costs are the Total Inpatient Ancillary Costs derived from the Massachusetts Hospital Cost Report.

c. Inpatient Overhead Costs. Inpatient Overhead Costs are the Total Inpatient Overhead Costs derived from the Massachusetts Hospital Cost Report.

3. Calculation of the Base Year Inpatient Operating Per Diem. The Inpatient Operating Per Diem is calculated by dividing the sum of the Total Inpatient Operating Costs (Tab 2 Line 30.04 Column 8) by the total inpatient days (Tab 3 Line 3.01 Column 4).

4. Inpatient Capital Costs: Base year capital costs consist of the hospital's actual HFY 2016 patient care capital requirement for historical depreciation for building and fixed equipment; reasonable interest expenses; amortization; and leases and rental of facilities (Tab 17 Line 30.04 Column 1 minus Tab 18 Line 30.04 Column 1).

5. Inpatient Capital Cost Per Diem. The Inpatient Capital Cost Per Diem is derived by dividing the total Inpatient Capital Costs by the total inpatient days (Tab 3 Line 3.01 Column 4).

6. Adjustment to Base Year Operating and Capital Costs. The update factor, covering the period from the base year to the rate year beginning October 1, 2018, is 3.0%. The update factor covering the period October 1, 2019, through October 1, 2020, is 1.75%. The update factor covering the period beginning October 1, 2020, includes an additional update factor of 1.5%. The update factor covering the period beginning October 15, 2021, includes an additional update factor of 7%. The update factor covering the period beginning October 1, 2022, includes an additional update factor of 7%. The update factor covering the period beginning October 1, 2023, includes an additional update factor of 7.4%. The update factor, covering the period beginning October 1, 2024, includes a reduction of 2.1%.

B. Per Diem Rate 2: This per diem rate will be determined by averaging the Rate Year 2020 payment rates for Chronic Disease and Rehabilitation Hospitals identified by the MassHealth program as having similar characteristics of treatment and populations. The Hospitals used to calculate the payment are Braintree Hospital, New Bedford Rehabilitation Hospital, New England Sinai Hospital, Kindred Hospital-Northeast, Vibra Hospital of Western Mass, Spaulding Rehabilitation Hospital-Boston, and Spaulding Hospital-Cambridge. This rate is comprehensive and all-inclusive covering both routine and ancillary services provided to inpatients by HRC. Notwithstanding the above, Per Diem Rate 2 for RY 2026 will be $1,257.00, the same as it was in RY 2025.

Section 2: Outpatient Cost-to-Charge Ratio

The Outpatient Cost-to-Charge Ratio is a fixed percentage that is applied to HRC's Usual and Customary Charges for Outpatient Services, based on charges filed with the DHCFP or successor agency. Payment for a particular Outpatient Service shall be equal to the product of the Cost-to-Charge Ratio times HRC's Usual and Customary Charges on file with the Center for Health Information and Analysis (CHIA), as of July 1, 2017, for outpatient services. Any such payment shall not exceed HRC's Usual and Customary Charge.

The Cost-to-Charge Ratio is calculated by dividing the outpatient costs (Schedule II Line 114 Column 10) by the outpatient service revenue (Schedule II Line 114 Column 11), as derived from the HFY 2006 HCFP-403 cost report.

Effective October 1, 2025, EOHHS proposes to maintain the outpatient cost-to-charge ratio which became effective October 1, 2013.

Section 3. Quality Performance Incentive Payment

Subject to legislative authorization, compliance with all applicable federal statutes, regulations, state plan provisions, the availability of funds, and full federal financial participation, in RY 2026 EOHHS will make $1.333M in total aggregate quality performance incentive payments to qualifying non-acute hospitals as described herein.

1. Qualification. In order to qualify for a Quality Performance Incentive Payment in RY2026, a non-acute chronic hospital must meet the following criteria:
    a. Be a non-acute chronic Hospital located in Massachusetts with no fewer than 500 licensed beds as of June 30, 2005, with no fewer than 150,000 Medicaid patient days in the state fiscal year ended June 30, 2006, and with an established geriatric teaching program for physicians, medical students, and other health professionals, and that serves MassHealth members; and
    b. Have recorded performance, for the period beginning January 1, 2023, through December 31, 2023, on the following Centers for Medicare & Medicaid Services (CMS) Medicare Minimum Data Set measures, that exceed the state average (as reported by CMS): Percent of long-stay high-risk patients with falls with severe injury.
2. Qualification. In order to qualify for a Quality Performance Incentive Payment in RY 2026, a qualifying CDR hospital must meet the following criteria:
    a. Be a CDR Inpatient Hospital located in Massachusetts with no fewer than 500 licensed beds as of June 30, 2005, with no fewer than 150,000 Medicaid patient days in the state fiscal year ended June 30, 2006, and with an established geriatric teaching program for physicians, medical students, and other health professionals, and that serves MassHealth members; and,
    b. Have recorded performance, for the period January 1, 2023 – December 31, 2023, on the following Centers for Medicare and Medicaid Services (CMS) Medicare Minimum Data Set measures that exceed the state average (as reported by CMS) as follows: Percent of long-stay patients who received an antipsychotic medication.
3. Payment
    EOHHS will issue a RY 2026 Quality Performance Incentive Payment to qualifying non-acute chronic hospitals during RY 2026 with one payment during April 2026.

Section 4: Supplemental Payments

Subject to legislative authorization, compliance with all applicable federal statutes, regulations, state plan provisions, the availability of funds, and full federal financial participation, in RY 2026 EOHHS will make $6.65M in total aggregate quality performance incentive payments to qualifying non-acute hospitals as described herein.

1. Qualification. In order to qualify for a supplemental payment a non-acute chronic hospital must meet the following criteria:
    a. Be a non-acute chronic Hospital located in Massachusetts with no fewer than 500 licensed beds as of June 30, 2005, with no fewer than 150,000 Medicaid patient days in the state fiscal year ended June 30, 2006, and with an established geriatric teaching program for physicians, medical students, and other health professionals, and that serves MassHealth members, and;
    b. Be a non-acute chronic Hospital located in Massachusetts with no fewer than 15,000 Medicaid fee-for-service and managed care Inpatient Per Diem Rate 1 days.

1. Payment. EOHHS will issue a RY 2026 Supplemental Payment to qualifying non-acute chronic hospitals during RY2026 with one payment during January 2026.

Hebrew Rehabilitation Center

MassHealth Inpatient and Outpatient Rates

Effective October 1, 2025

Inpatient Per Diem 1

$514.37

Inpatient Per Diem 2

$1,257

Outpatient Cost/Charge Ratio

93.75%

Posted September 30, 2025