

NOTICE OF FINAL AGENCY ACTION

SUBJECT: Payment for Privately Owned Psychiatric Hospital Services Effective August 26, 2026

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

Summary of Action

Under 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 updates to the methods and standards for the establishment of rates of payment by contract during the Rate Year 2026 (RY26) contract period, as described in the Rate Year 2026 (RY26) Notice of Final Agency Action published on September 16, 2025, 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.

Specifically, effective August 26, 2026, EOHHS is implementing the following change to payment methodologies for in-state inpatient psychiatric hospitals:

- Increasing the amount to be paid out through the Inpatient Psychiatric Supplemental Payment by \$3 million

This change in payment methodology is in addition to any payment that the qualifying in-state inpatient psychiatric hospitals may receive for services rendered to MassHealth members under the inpatient psychiatric payment methods described in the RY26 Notice.

EOHHS expects that annual aggregate expenditures for MassHealth state plan inpatient psychiatric hospital services will increase by \$3 million as a result of this change. All changes to hospital payment methods described in this notice are in accordance with state and federal law and are within the range of reasonable payment levels to acute hospitals.

Except for the changes in this notice, the RY26 inpatient psychiatric hospital payment methods described in the RY26 Notice remain unchanged. The RY26 Notice is under the heading “Psychiatric Hospital Rate Year 2026 Notices” on the “Special Notices for Psychiatric Hospitals” page on the MassHealth website.

For further information, or to provide written comments regarding this action, contact

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Or via [email](#)

Statutory Authority:

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

Related Regulations: 42 CFR Part 447

Posted: August 25, 2026

**EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES
PSYCHIATRIC HOSPITAL SERVICES
METHODS AND STANDARDS
FOR RATES EFFECTIVE AUGUST 26, 2026**

The following sections describe the updated 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 August 26, 2026, 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

Inpatient Psychiatric Supplemental Payments

Psychiatric Hospitals may qualify for inpatient psychiatric admissions supplemental payments during RY26. These supplemental payments will be determined using the following methodology.

1. Eligibility. Eligibility to receive supplemental payment is determined based on the Hospital operating at least one inpatient site providing inpatient services and maintaining a DMH license as of October 1, 2025.
2. Claims Period. The twelve (12) months between July 1, 2024, and June 30, 2025.
3. Aggregate Psychiatric Admissions. Paid claims for all MassHealth Members for the claims period as of January 1, 2026, across the eligible Hospitals for inpatient psychiatric admissions, including applicable subsets of such claims.
4. Hospital-Specific Psychiatric Admissions. The Hospital's total number of paid claims for all MassHealth members for the claims period as of January 1, 2026, for inpatient psychiatric admissions, including applicable subsets of such claims.
5. Payments Methodology. Supplemental payments to privately owned psychiatric hospitals will equal \$33 million for RY26 distributed across the eligible Hospitals according to calculation by EOHHS based on the each eligible Hospital's percentage of claims for inpatient psychiatric admissions, percentage of claims for inpatient psychiatric admissions with certain secondary diagnosis, and percentage of claims for inpatient psychiatric admissions of members admitted following the expedited psychiatric inpatient admission protocol.