

NOTICE OF FINAL AGENCY ACTION

SUBJECT: Payment for Privately Owned Psychiatric Hospital Services Effective July 7, 2025

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 2025 (RY25) contract period, as described in the Rate Year 2025 (RY25) Notice of Final Agency Action published on September 17, 2024, 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 July 7, 2025, 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 \$5 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 RY25 Notice.

EOHHS expects that annual aggregate expenditures for MassHealth state plan inpatient psychiatric hospital services will increase by \$5 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 RY25 inpatient psychiatric hospital payment methods described in the RY25 Notice remain unchanged. The RY25 Notice is under the heading “Psychiatric Hospital Rate Year 2025 Notices” on the “Special Notices for Psychiatric Hospitals” page on the MassHealth website: www.mass.gov/lists/special-notices-for-psychiatric-hospitals.

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

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Statutory Authority

M.G.L. c. 118E; 42 U.S.C. 1396 *et seq.*

Related Regulations: 42 CFR Part 447


July 3, 2025

EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES
PSYCHIATRIC HOSPITAL SERVICES
METHODS AND STANDARDS
FOR RATES EFFECTIVE JULY 7, 2025

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 July 7, 2025, 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  increased inpatient psychiatric admissions supplemental payment during RY25. This supplemental payment will be determined using the following methodology.

1. Eligibility. Eligibility to receive a supplemental payment, based on the hospital operating at least one inpatient site providing inpatient services and maintaining a DMH license as of October 1, 2024.
2. Claim Period. The 6 (six) months from July 1, 2024 through December 31, 2024.
3. Aggregate Psychiatric Admissions. Paid claims for all MassHealth members for the claim period as of June 1, 2025, across the eligible hospitals for inpatient psychiatric admissions, including applicable subsets of such claims, adjusted for hospitals with bed increases or enrollment during the claim period.
4. Hospital-Specific Psychiatric Admissions. The hospital's total number of paid claims for all MassHealth members for the claim period as of June 1, 2025, for inpatient psychiatric admissions, including applicable subsets of such claims, as adjusted if the hospital had bed increases or enrolled during the claim period.
5. Payment Methodology. The Supplemental payment to privately owned psychiatric hospitals will equal a total aggregate amount of \$5 million distributed across the eligible hospitals according to calculation by EOHHS, based on each eligible hospital's percentage of overall paid claims across all eligible hospitals in relation to inpatient psychiatric admissions, inpatient psychiatric admissions with certain secondary diagnosis, and inpatient psychiatric admissions of members admitted following the expedited psychiatric inpatient admission protocol.