

## Notice of Proposed Agency Action

**SUBJECT:** MassHealth: Payment for In-State Acute Hospital Services and Out-of-State Acute Hospital Services, effective October 1, 2017

**AGENCY:** Massachusetts Executive Office of Health and Human Services (EOHHS), Office of Medicaid

### Introduction

*Part I* of this Notice describes and summarizes proposed changes to the MassHealth out-of-state acute hospital payment methodologies, and sets forth MassHealth rates and rate components for out-of-state acute hospital services for rate year 2018 (RY18), which begins October 1, 2017 (see Attachment A to Part I). *Part II* of this Notice describes and summarizes proposed changes in MassHealth payment for services provided by in-state acute hospitals, effective for RY18, which begins October 1, 2017. A complete description of the RY18 MassHealth in-state acute hospital inpatient and outpatient payment methods and rates is attached to Part II (see also Attachment B for RY18 in-state acute hospital rates and rate components). For further information regarding RY18 acute hospital payment methods and rates, or to provide written comments, you may contact Steven Sauter at the Executive Office of Health and Human Services, MassHealth Office of Providers and Plans, 100 Hancock Street, 6<sup>th</sup> Floor, Quincy, MA 02171, or by email at [steven.sauter@state.ma.us](mailto:steven.sauter@state.ma.us). EOHHS specifically invites comments regarding the impact of the proposed changes on member access to care.

### PART I: Out-of-State Acute Hospital Payment Methods

For purposes of this Notice, “1<sup>st</sup> RY18 Period” refers to the portion of rate year 2018 (RY18) from October 1, 2017 through February 28, 2018, and “2<sup>nd</sup> RY18 Period” refers to the portion of RY18 from March 1, 2018 through the end of RY18 (September 30, 2018).

#### **1. Out-of-State Acute Hospital Inpatient Services**

The MassHealth out-of-state acute hospital payment methods for inpatient services are not changing, except as follows. Effective for admissions occurring in the 2<sup>nd</sup> RY18 Period (as defined above), the Out-of-State APAD (described below) will no longer provide payment for Long-Acting Reversible Contraception (LARC) devices (“LARC Device”); instead, out-of-state acute inpatient hospitals may begin receiving separate payment from the APAD for such LARC Devices if MassHealth requirements are met (see below).

Although the payment methodologies for out-of-state acute inpatient hospital services will otherwise remain the same, as a result of changes being proposed to the in-state acute inpatient hospital rates and rate components described in **Part II.1** of this Notice that will become effective as of the 2<sup>nd</sup> RY18 Period, the corresponding out-of-state acute inpatient hospital rates and rate components will be changing at the same time. For the Out-of-State APAD, Out-of-State Outlier Payment and Out-of-State Transfer per diem payment methods, the updated rates and rate components will become effective beginning with admissions occurring in the 2<sup>nd</sup> RY18 Period, and for the out-of-state psychiatric per diem, the updated rate will take effect beginning with dates of service in the 2<sup>nd</sup> RY18 Period (see Attachment A to Part I of this Notice; see also footnote 3).

Except as provided in Section 3 of Part I, the out-of-state acute inpatient hospital payment methods applicable to RY18 are as follows.

- **Out-of-State APAD.** Out-of-state acute hospitals will continue to be paid an adjudicated payment amount per discharge (“Out-of-State APAD”), which will cover the MassHealth member’s entire acute inpatient stay from admission through discharge (with the exception of LARC Devices, effective with admissions in the 2<sup>nd</sup> RY18 Period as further described below). The discharge-specific Out-of-State APAD equals the sum of the statewide operating standard per discharge and the statewide capital standard per discharge both as in effect for in-state acute hospitals, multiplied by the MassHealth DRG Weight<sup>1</sup> assigned to the discharge by MassHealth using information contained on a properly submitted inpatient hospital claim.
- **Out-of-State Outlier Payment.** For qualifying discharges, out-of-state acute hospitals will also continue to be paid an outlier payment in addition to the Out-of-State APAD if the calculated cost of the discharge, as determined by MassHealth, exceeds the discharge-specific outlier threshold (“Out-of-State Outlier Payment”). The Out-of-State Outlier Payment will equal the marginal cost factor in effect for in-state acute hospitals multiplied by the difference between the calculated cost of the discharge and the discharge-specific outlier threshold, as determined by MassHealth. The “calculated cost of the discharge” equals the out-of-state acute hospital’s allowed charges for the discharge,<sup>2</sup> as determined by MassHealth, multiplied by the applicable inpatient cost-to-charge ratio. For High MassHealth Volume Hospitals,<sup>3</sup> the cost-to-charge ratio is hospital-specific; for all other out-of-state acute hospitals, the median in-state acute hospital inpatient cost-to-charge ratio in effect, based on MassHealth discharge volume, is used. The “discharge-specific outlier threshold” equals the sum of the hospital’s Out-of-State APAD for the discharge, and the inpatient fixed outlier threshold in effect for in-state acute hospitals.
- **Out-of-State Transfer per Diem.** For MassHealth members transferred to another acute hospital, the transferring out-of-state acute hospital will continue to be paid at a transfer per diem rate (“Out-of-State Transfer Per Diem”), and no other payment methods will apply. The Out-of-State Transfer Per Diem will equal the sum of the transferring hospital’s Out-of-State APAD plus, if applicable, any Out-of-State Outlier Payment that would have otherwise applied for the period that the member was an inpatient at the transferring hospital as calculated by MassHealth, divided by the mean in-state acute hospital all payer length of stay for the particular APR-DRG assigned, as determined by MassHealth. Payments made on an Out-of-State Transfer Per Diem basis are capped.
- **Out-of-State Psychiatric per Diem.** If an out-of-state acute hospital admits a MassHealth patient primarily for behavioral health services, the out-of-state acute hospital will continue to be paid an all-inclusive psychiatric per diem equal to the psychiatric per diem in effect for in-state acute hospitals, and no other payment methods apply.

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<sup>1</sup> The MassHealth DRG Weight is the MassHealth relative weight determined by EOHHS for each unique combination of All Patient Refined-Diagnostic Related Group and severity of illness (APR-DRG or DRG). The APR-DRG is assigned based on information on a properly submitted inpatient hospital claim by the 3M APR-DRG grouper.

<sup>2</sup> Effective for admissions in the 2<sup>nd</sup> RY18 Period, a hospital’s charges for a LARC Device will be excluded.

<sup>3</sup> An out-of-state “High MassHealth Volume Hospital” is one that had at least 150 MassHealth discharges during the most recent federal fiscal year for which complete data is available, as determined by MassHealth at least 90 days prior to the start of the federal fiscal year. For RY18 (effective October 1, 2017), Rhode Island Hospital will be the sole High MassHealth Volume Hospital.

- **Long-Acting Reversible Contraception (LARC) devices (LARC Devices).** Effective for admissions in the 2<sup>nd</sup> RY18 Period, the Out-of-State APAD will no longer provide payment for LARC Devices (defined specifically as intrauterine devices and contraceptive implants). Effective with admissions in the 2<sup>nd</sup> RY18 Period, out-of-state acute inpatient hospitals may be paid separately for the LARC Device if the LARC procedure occurs immediately post-labor and delivery during the same inpatient hospital labor and delivery stay, and all other MassHealth acute inpatient hospital requirements are met. Payment will be in accordance with the fee schedule rates for such devices set forth in EOHHS regulations at 101 CMR 317.00 (Medicine).

## 2. Out-of-State Acute Hospital Outpatient Services

The MassHealth out-of-state acute hospital payment methodologies for outpatient services are not changing. However, as a result of changes being proposed to the in-state acute outpatient hospital adjudicated payment per episode of care (APEC) rate components as described in **Part II.2** of this Notice that will become effective for dates of service in the 2<sup>nd</sup> RY18 Period, the Out-of-State APEC rate components will also be changing effective as of the 2<sup>nd</sup> RY18 Period (see [Attachment A](#) to Part I of this Notice; see also footnote 3, above).

Except as provided in Section 3 of Part I, below, out-of-state acute hospitals will continue to be paid for outpatient services utilizing an adjudicated payment per episode of care payment methodology (“Out-of-State APEC”) for services for which in-state acute hospitals are paid the APEC (“APEC-covered services”), or according to the applicable fee schedules in regulations adopted by EOHHS for services for which in-state acute hospitals are not paid the APEC.

### Out-of-State APEC

The Out-of-State APEC is an episode-specific all-inclusive facility payment for all APEC-covered services provided in the episode. The Out-of-State APEC for each payable episode will equal the sum of the episode-specific total EAPG payment and the APEC outlier component (if applicable).

- The “episode-specific total EAPG payment” is equal to the sum of all of the episode’s claim detail line EAPG<sup>4</sup> payment amounts, where each claim detail line EAPG payment amount is equal to the product of the APEC outpatient statewide standard in effect for in-state acute hospitals on the date of service, and the claim detail line’s adjusted EAPG weight. The 3M EAPG grouper’s discounting, consolidation and packaging logic is applied to each of the episode’s claim detail line MassHealth EAPG weights to produce the claim detail line’s adjusted EAPG weight for this calculation. The “MassHealth EAPG weight” is the MassHealth relative weight developed by MassHealth for each unique EAPG.
- The “APEC outlier component” equals the marginal cost factor in effect for in-state acute hospitals on the date of service, multiplied by the difference between the episode-specific case cost and the episode-specific outlier threshold. The “episode-specific case cost” is determined by MassHealth by multiplying the sum of the allowed charges for all of the claim detail lines with APEC-covered services in the episode that adjudicate to pay, by the applicable outpatient cost-to-charge ratio. For High MassHealth Volume Hospitals, the cost-to-charge ratio is hospital-specific; for all other out-of-state acute hospitals, the median in-state acute hospital outpatient cost-to-charge ratio in effect, based on episode volume, is used. The “episode-specific outlier threshold” equals the sum of the episode-specific total EAPG payment

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<sup>4</sup> EAPG refers to Enhanced Ambulatory Patient Group. EAPGs are assigned to claim detail lines containing APEC-covered services based on information contained on a properly submitted outpatient hospital claim by the 3M EAPG grouper and refer to a group of outpatient services that have been bundled for purposes of categorizing and measuring casemix.

corresponding to the episode (see above), and the fixed outpatient outlier threshold in effect for in-state acute hospitals. In no case is an “APEC outlier component” payable if the episode-specific total EAPG payment is \$0.

### **3. Services Not Available In-State**

This payment method is not changing. For medical services MassHealth determines are not available in-state, an out-of-state acute hospital that is not a High MassHealth Volume Hospital will be paid the rate of payment established for the medical service under the other state’s Medicaid program, as determined by MassHealth, or such other rate as MassHealth determines necessary to ensure member access to services. For an inpatient service MassHealth determines is not available in-state, payment to the out-of-state acute hospital under this method will also include acute hospital outpatient services MassHealth determines are directly related to the service not available in-state.

**ATTACHMENT A**

**Out-of-State Acute Hospital Rates**

**I. INPATIENT — 1<sup>st</sup> RY18 Period — October 1, 2017 through February 28, 2018  
2<sup>nd</sup> RY18 Period — March 1, 2018 through the end of RY18**

Below are the out-of-state acute hospital inpatient rates/rate components for the Out-of-State APAD, Outlier Payment and Transfer Per Diem rates, as well as the Psychiatric Per Diem rate, for the 1<sup>st</sup> RY18 Period and 2<sup>nd</sup> RY18 Period, respectively. See Part I.1, above, for descriptions of the calculations of the out-of-state acute hospital inpatient payment methods. Effective with admissions in the 2<sup>nd</sup> RY18 Period, payment for LARC Devices will be in accordance with the fee schedule rates for such devices at 101 CMR 317.00 (Medicine).

Components of Out-of-State APAD, Outlier Payment, & Transfer Per Diem Rates (applicable to admissions in the relevant Period)									Other (for dates of service in the relevant Period)
	1. In-state Statewide Operating Standard Per Discharge	2. In-state Statewide Capital Standard Per Discharge	Sum of Columns 1 and 2	MassHealth DRG Weight	In-State Marginal Cost Factor	Cost-to-Charge Ratio	In-State Fixed Outlier Threshold	Mean In-State All-Payer Length of Stay	Out-of-State Psych Per Diem
<b>High MassHealth Volume Hospital:</b> <i>Rhode Island Hospital</i>									
<b>1<sup>st</sup> RY18 Period</b>	\$ 9,577.06	\$629.62	\$10,206.68	See Chart C-1*	80%	34.70%	\$25,000	See Chart C-1*	\$883.52
<b>2<sup>nd</sup> RY18 Period</b>	\$10,998.11	\$774.99	\$11,773.10	See Chart C-2#	80%	36.78%	\$25,500	See Chart C-2#	\$920.99
<b>All Other Out-of-State Acute Hospitals:**</b>									
<b>1<sup>st</sup> RY18 Period</b>	\$ 9,577.06	\$629.62	\$10,206.68	See Chart C-1*	80%	46.97%	\$25,000	See Chart C-1*	\$883.52
<b>2<sup>nd</sup> RY18 Period</b>	\$10,998.11	\$774.99	\$11,773.10	See Chart C-2#	80%	58.06%	\$25,500	See Chart C-2#	\$920.99

**\*See Chart C-1 for the 1<sup>st</sup> RY18 Period MassHealth DRG Weights and Mean All-Payer Lengths of Stay.**

Click here: [Chart C-1-1st RY18 Period Acute Hospital MassHealth DRG Weights and Mean All-Payer Lengths of Stay](#)

**#See Chart C-2 for the 2<sup>nd</sup> RY18 Period MassHealth DRG Weights and Mean All-Payer Lengths of Stay.**

Click here: [Chart C-2-2nd RY18 Period Acute Hospital MassHealth DRG Weights and Mean All-Payer Lengths of Stay.](#)

\*\* For medical services payable by MassHealth that MassHealth determines are not available in-state, out-of-state acute hospitals that are not High MassHealth Volume Hospitals will be paid as described in Section 3 of Part I of this Notice, above.

**Out-of-State Acute Hospital Rates (continued)**

**II. OUTPATIENT APEC – 1<sup>st</sup> RY18 Period — October 1, 2017 through February 28, 2018  
2<sup>nd</sup> RY18 Period — March 1, 2018 through the end of RY18**

Out-of-State Acute Hospitals will be paid an Out-of-State APEC for APEC-covered outpatient services, which is an episode-specific payment method. APEC rate components are as follows for the dates of service in the 1<sup>st</sup> RY18 Period and 2<sup>nd</sup> RY18 Period, respectively. (See description of this payment method in Part I.2, above.)

<b>Components of Out-of-State APEC Rates (applicable to dates of service in the relevant Period)</b>					
	In-state APEC Outpatient Statewide Standard	MassHealth EAPG Weight	In-State Marginal Cost Factor	Cost-to- Charge Ratio	In-State Fixed Outpatient Outlier Threshold
<b>High MassHealth Volume Hospital:</b>  <i>Rhode Island Hospital</i>					
<b>1<sup>st</sup> RY18 Period</b>	\$252.00	See Chart D*	80%	28.62%	\$2,100
<b>2<sup>nd</sup> RY18 Period</b>	\$258.43	See Chart D*	80%	28.39%	\$2,750
<b>All Other Out-of- State Acute Hospitals**</b>					
<b>1<sup>st</sup> RY18 Period</b>	\$252.00	See Chart D*	80%	35.66%	\$2,100
<b>2<sup>nd</sup> RY18 Period</b>	\$258.43	See Chart D*	80%	36.44%	\$2,750

\*See Chart D for the RY18 MassHealth EAPG Weights. Click here: [Chart D-Acute Hospital RY18 MassHealth EAPG Weights](#)

**Note:** The 3M EAPG grouper’s discounting, consolidation and packaging logic is applied to each of the episode’s claim detail line MassHealth EAPG Weights to produce the claim detail line’s Adjusted EAPG Weight that is used in the APEC calculation.

\*\* For medical services payable by MassHealth that MassHealth determines are not available in-state, out-of-state acute hospitals that are not High MassHealth Volume Hospitals will be paid as described in Section 3 of Part I of this Notice, above.

## **PART II: Proposed Changes in In-State Acute Hospital Payment Methods**

For purposes of this Notice, “**1<sup>st</sup> RY18 Period**” refers to the portion of rate year 2018 (RY18) from October 1, 2017 through February 28, 2018, and “**2<sup>nd</sup> RY18 Period**” refers to the portion of RY18 from March 1, 2018 through the end of RY18 (September 30, 2018).

### **1. In-State Acute Hospital Inpatient Services**

#### **A. Summary of Proposed RY18 In-State Methodology for Calculating the Adjudicated Payment Amount per Discharge (APAD) and other Inpatient Hospital Service Payments**

Except as otherwise indicated for Critical Access Hospitals (see separate section below), MassHealth is bifurcating RY18 into the 1<sup>st</sup> RY18 Period and 2<sup>nd</sup> RY18 Period for purposes of applying the in-state acute inpatient hospital payment methodologies during RY18.

##### **1<sup>st</sup> RY18 Period**

During the 1<sup>st</sup> RY18 Period, MassHealth will continue to pay in-state acute inpatient hospitals using the adjudicated payment amount per discharge (APAD), Outlier Payment, Transfer per Diem and other inpatient per diem payments, rates and rate components, and the potentially preventable readmission (PPR) adjustments, that were in effect for Rate Year 2017 (RY17), as described in the MassHealth Notice of Final Agency Action effective October 1, 2016 (Final RY17 Notice). A complete description of these RY17 in-state acute inpatient hospital payment methods (which will continue to apply during the 1<sup>st</sup> RY18 Period) are included in Part II.1 of the Final RY17 Notice (available at [www.mass.gov/masshealth](http://www.mass.gov/masshealth); click on the link to “Other Resources and Publications” and the link to “Special Notices for Acute Hospitals” under the heading Acute Hospital Rate Year 2017 Notices).

##### **2<sup>nd</sup> RY18 Period**

Effective with the 2<sup>nd</sup> RY18 Period, MassHealth will begin paying in-state acute inpatient hospitals using updated 2<sup>nd</sup> RY18 Period APAD, Outlier Payment, Transfer per diem and other acute inpatient hospital per diem payment methodologies, rates and rate components, and PPR adjustments, as described below.

##### ***Adjudicated Payment Amount per Discharge (APAD) (2<sup>nd</sup> RY18 Period)***

For admissions in the 2<sup>nd</sup> RY18 Period, in-state acute inpatient hospitals will continue to be paid an adjudicated payment amount per discharge (APAD) for each payable discharge. The APAD is an all-inclusive facility payment that will cover the MassHealth member’s entire acute inpatient stay from admission through discharge, exclusive of the LARC Device (defined below) which, effective with admissions in the 2<sup>nd</sup> RY18 Period, may be paid separately from the APAD (see below). The 2<sup>nd</sup> RY18 Period discharge-specific APAD is determined by the following steps: (1) adding the statewide operating standard per discharge, adjusted for the hospital’s wage area,<sup>5</sup> to the statewide capital standard per discharge (which sum is referred to as the “APAD Base Payment”), (2) multiplying the APAD Base Payment by the MassHealth DRG Weight assigned to the discharge by MassHealth using information on a properly submitted inpatient claim, (3) and adjusting that result, if applicable, by the hospital’s 2<sup>nd</sup> RY18 Period per discharge percentage payment reduction for potentially preventable readmissions (PPRs). The

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<sup>5</sup> For purposes of this adjustment, Baystate Medical Center’s wages and hours were also included in calculating the wage area index for hospitals in the Springfield wage area.

APAD Base Year is federal fiscal year (FY) 2016. The components of the APAD applicable to admissions in the 2<sup>nd</sup> RY18 Period are described further, below.

- The statewide operating standard per discharge is derived from the statewide average hospital all payer cost per discharge using APAD Base Year data, standardized for casemix differences and area wage variation. An efficiency standard is determined by capping hospital costs, weighted by FY16 MassHealth discharges, at the 67% level of costs. The statewide average is adjusted for inflation and outliers. Certain costs are excluded (e.g., Excluded Units, capital costs, and costs of LARC Devices). Malpractice and organ acquisition costs are included. Costs EOHHS determines are routine outpatient costs associated with admissions from the emergency department and routine and ancillary outpatient costs resulting from admissions from observation status are included. For each hospital, the statewide operating standard per discharge is then adjusted for that hospital's wage area index.
- The statewide capital standard per discharge is derived from the statewide weighted average hospital capital cost per discharge using APAD Base Year data, standardized for casemix differences. An efficiency standard is determined by capping hospital casemix-adjusted capital costs, weighted by FY16 MassHealth discharges, at the 67% level of costs. Each hospital's capital cost per discharge was then held to the lower of its capital cost per discharge or the casemix-adjusted efficiency standard, and a statewide weighted average capital cost per discharge is calculated, and adjusted for inflation to the current year to produce the statewide capital standard per discharge.
- The MassHealth DRG Weight is the MassHealth relative weight determined by EOHHS for each unique combination of APR-DRG and severity of illness, using the 3M Corporation's APR-DRG grouper version 34 and updated Massachusetts weights.
- Each hospital with an actual PPR volume which exceeded its expected PPR volume is subject to a per-discharge percentage payment reduction, up to a maximum of -4.4%.<sup>6</sup> The reduction will be proportional to the hospital's ratio of excess PPR volume to its total discharge volume. The calculation also includes a multiplier of 3 as an incentive for hospitals to reduce PPRs. The 2<sup>nd</sup> RY18 Period per-discharge percentage reduction is partially offset if the hospital improved its PPR rate from its RY17 PPR rate.
- Effective with admissions in the 2<sup>nd</sup> RY18 Period, for discharges from Freestanding Pediatric Acute Hospitals<sup>7</sup> for which the MassHealth DRG Weight assigned to the discharge is 3.5 or greater, the APAD Base Payment will be adjusted to include an additional 45%.

#### ***Outlier Payment (2<sup>nd</sup> RY18 Period)***

For qualifying discharges that correspond to admissions occurring in the 2<sup>nd</sup> RY18 Period, in-state acute hospitals will also continue to be paid an outlier payment in addition to the APAD if the calculated cost of the discharge (the "discharge-specific case cost") exceeds the discharge-specific outlier threshold. The outlier payment is calculated by multiplying the marginal cost factor of 80%, by the difference between the discharge-specific case cost and the discharge-specific outlier threshold. The discharge-specific case cost equals the hospital's allowed charges for the discharge, as determined by MassHealth, multiplied by the hospital's FY16 inpatient cost-to-charge ratio. The discharge-specific outlier threshold is the sum of the hospital's pre-adjusted APAD for the discharge (the amount prior to any PPR reduction), and the

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<sup>6</sup> A negative value denotes a rate reduction. Only hospitals with more than 40 at-risk admissions are potentially subject to a PPR adjustment.

<sup>7</sup> "Freestanding Pediatric Acute Hospitals" are acute hospitals that limit admissions primarily to children and which qualify as exempt from the Medicare prospective payment system regulations.

inpatient fixed outlier threshold, which is \$25,500. For discharges that qualify for an outlier payment, a hospital's 2<sup>nd</sup> RY18 Period PPR adjustment (if applicable) is applied to the sum of the pre-adjusted APAD and the outlier payment amount. Charges for a LARC Device (defined below) are excluded during these calculations.

***Transfer Per Diem (2<sup>nd</sup> RY18 Period)***

Inpatient services delivered to members who transfer among hospitals or among certain settings within a hospital, are paid on a transfer per diem basis. The Transfer per Diem will equal the transferring hospital's total case payment amount, calculated by MassHealth using the APAD and, if applicable, outlier payment methodologies for the period for which the hospital is being paid on a transfer per diem basis, divided by the mean acute hospital all payer length of stay for the particular APR-DRG assigned. Transfer per diem payments are subject to a total transfer case payment cap. The 2<sup>nd</sup> RY18 Period transfer per diem payment method applies to admissions occurring in the 2<sup>nd</sup> RY18 Period that are paid on a transfer per diem basis.

***Other Per Diems (2<sup>nd</sup> RY18 Period)***

Psychiatric services delivered in DMH-licensed psychiatric beds of acute hospitals are paid a statewide psychiatric per diem rate and acute hospitals are paid a statewide rehabilitation per diem rate for services delivered in Rehabilitation Units. Administrative days are also paid a per diem rate. All per diems are all-inclusive. Updated 2<sup>nd</sup> RY18 per diem rates for these services will apply for dates of service occurring in the 2<sup>nd</sup> RY18 Period.

***LARC Device (2<sup>nd</sup> RY18 Period)***

Effective for admissions in the 2<sup>nd</sup> RY18 Period, the APAD will no longer provide payment for Long-Acting Reversible Contraception (LARC) devices (LARC Devices), defined specifically as intrauterine devices and contraceptive implants. In-State acute inpatient hospitals may be paid separately from the APAD for the LARC Device if the LARC procedure occurs immediately post-labor and delivery during the same inpatient hospital labor and delivery stay, and all other MassHealth requirements are met. Payment will be in accordance with the fee schedule rates for such devices set forth in EOHHS regulations at 101 CMR 317.00 (Medicine).

**Critical Access Hospitals**

Final payment to Critical Access Hospitals (CAHs) for RY18 will be calculated to provide an amount equal to 101% of the Critical Access Hospital's allowable costs as determined by EOHHS utilizing the Medicare cost-based reimbursement methodology for both inpatient and outpatient services. Interim payments will be made subject to final reconciliation. The interim inpatient APAD, Outlier Payment and Transfer per Diem, and interim outpatient APEC rates and rate components for the 1<sup>st</sup> RY18 Period will be the same as applied to these hospitals in RY17. For the 2<sup>nd</sup> RY18 Period, the interim APAD and APEC rates have been updated utilizing more recent data (based on FY16 CMS 2552-10 cost reports), and the interim inpatient Outlier Payment and Transfer per Diem payments are otherwise calculated the same as they are for all other hospitals (without applying any PPR adjustment). These interim rates are calculated generally to approximate 101% of costs.

**RY18 In-State Acute Inpatient Hospital Rates and Rate Components**

The in-state acute inpatient hospital rates and rate components applicable to the 1<sup>st</sup> RY18 Period and the 2<sup>nd</sup> RY18 Period, respectively, are set forth in Attachment B attached hereto.

## B. Summary of Proposed Changes

RY18 payment methods for in-state acute inpatient hospital services include the following proposed changes from the RY17 payment methods.

- (1) RY18 will be bifurcated into the 1<sup>st</sup> RY18 Period and the 2<sup>nd</sup> RY18 Period for purposes of applying the acute inpatient hospital payment methods (for Critical Access Hospitals, see below).
  - During the 1<sup>st</sup> RY18 Period, hospitals will continue to be paid using the APAD, Outlier Payment, Transfer per Diem (inclusive of any PPR adjustment), and other inpatient per diem payment methodologies that were in effect in RY17.
  - Effective as of the 2<sup>nd</sup> RY18 Period, updated 2<sup>nd</sup> RY18 Period methodologies for these payments will be applied. Proposed changes that apply to the methods beginning with the 2<sup>nd</sup> RY18 Period include the following (see items (2) through (6), below).
- (2) In calculating the APAD applicable to admissions in the 2<sup>nd</sup> RY18 Period:
  - The APAD Base Year was changed to FY16 (rebased from FY12).
  - 3M Corporation's APR-DRG grouper was updated to version 34 (changed from version 33), and new MassHealth DRG weights developed.
  - APAD Base Year all payer discharges for the statewide operating and capital standards per discharge were determined using the hospitals' FY16 Massachusetts Hospital cost reports (changed from using hospital discharge data submitted to CHIA).
  - FY16 MassHealth discharges from MMIS were used in weighting APAD Base Year costs for determining the efficiency standards for the statewide operating and capital standards per discharge; both efficiency standards were set at the 67% level of costs (changed from 65% and 50% for operating and capital standards, respectively, weighted by FY15 discharges).
  - The outlier adjustment factor applied for the statewide operating standard per discharge was 93.0% (changed from 91.5%).
  - For price changes between RY17 and RY18, an inflation update of 2.26% was applied to the statewide operating standard and 1.3% to the statewide capital standard per discharge.
  - Effective with admissions in the 2<sup>nd</sup> RY18 Period, for discharges from Freestanding Pediatric Acute Hospitals for which the MassHealth DRG Weight assigned to the discharge is 3.5 or greater, an adjusted APAD Base Payment will be applied.
  - Effective with admissions in the 2<sup>nd</sup> RY18 Period, the APAD no longer provides payment for LARC Devices and such costs were excluded from the statewide operating standard per discharge calculation. Hospitals may receive payment separate from the APAD using EOHHS fee schedule rates for such devices effective with admissions in the 2<sup>nd</sup> RY18 Period.
- (3) To calculate the Outlier Payment (if any) applicable to admissions in the 2<sup>nd</sup> RY18 Period, the fixed outlier threshold is \$25,500 (changed from \$25,000), and each Hospital's inpatient cost-to-charge ratio is calculated based on the hospital's FY16 Massachusetts Hospital cost report (rather than the hospital's FY14 -403 cost report).
- (4) To calculate the Transfer per diem applicable to admissions in the 2<sup>nd</sup> RY18 Period, the updated 2<sup>nd</sup> RY18 Period DRG-specific mean all payer lengths of stay from the APR-DRG version 34 Massachusetts-specific weight file are utilized.
- (5) In calculating the APAD, Outlier Payment and Transfer per diem payments for admissions in the 2<sup>nd</sup> RY18 Period, the Hospital's PPR adjustment (if applicable) was calculated using the 3M PPR grouper version 33, and more recent data.

- (6) For dates of service in the 2<sup>nd</sup> RY18 Period:
- an updated median nursing facility rate and inflation updates were applied to determine the administrative day (AD) per diem rates;
  - inflation updates were applied in calculating the psychiatric per diem rate;
  - the rehabilitation unit per diem was changed to reflect an updated median MassHealth rehabilitation hospital group rate.
- (7) For critical access hospitals paid at 101% of allowable costs utilizing Medicare's cost-based reimbursement methodology, interim APAD rates that were in effect in RY17 will continue to apply to admissions in the 1<sup>st</sup> RY18 Period. For admissions in the 2<sup>nd</sup> RY18 Period, the interim APAD rates were derived utilizing cost data from the hospital's FY16 CMS 2552-10 cost report. Final payment will be made as set forth in Section II.1.A, above.

## **2. In-State Acute Hospital Outpatient Services**

### **A. Summary of Proposed RY18 In-State Methodology for Calculating the Adjudicated Payment per Episode of Care (APEC), and other Outpatient Hospital Service Payments**

During RY18, Hospitals that are not Critical Access Hospitals will continue to receive a hospital-specific, episode-specific all-inclusive facility payment for each payable episode known as the adjudicated payment per episode of care (APEC). The APEC will be payment in full for most MassHealth acute outpatient hospital services that are delivered to a member on a single calendar day, or if the services extend past midnight in the case of emergency department or observation services, on consecutive days.<sup>8</sup> Outpatient services paid for by the APEC are referred to as "APEC-covered services." Certain services, including laboratory services, are carved out of the APEC calculation and payment. Laboratory services and other carve-out services are paid for in accordance with applicable fee schedules in regulations adopted by EOHHS.

Except as otherwise indicated for Critical Access Hospitals (see below), EOHHS is bifurcating RY18 into the 1<sup>st</sup> RY18 Period and 2<sup>nd</sup> RY18 Period for purposes of applying the APEC methodology during rate year 2018.

#### **1<sup>st</sup> RY18 Period APEC**

During the 1<sup>st</sup> RY18 Period, MassHealth will continue to pay in-state acute outpatient hospitals using the APEC payment methodology and rate components that were in effect for Rate Year 2017 (RY17) as described in the MassHealth Notice of Final Agency Action effective October 1, 2016 (Final RY17 Notice). A complete description of the MassHealth RY17 in-state acute outpatient hospital APEC payment method and rate components (which will continue to apply during the 1<sup>st</sup> RY18 Period) are included in Part II.2.A(2) of the Final RY17 Notice (available at [www.mass.gov/masshealth](http://www.mass.gov/masshealth); click on the link to "Other Resources and Publications" and the link to "Special Notices for Acute Hospitals" under the heading Acute Hospital Rate Year 2017 Notices).

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<sup>8</sup> In certain limited circumstances, APEC-covered services delivered to a member in a second distinct and independent visit on the same calendar day may be considered a separate episode.

## **2<sup>nd</sup> RY18 Period APEC**

Effective with the 2<sup>nd</sup> RY18 Period, MassHealth will begin paying in-state acute outpatient hospitals using an updated APEC payment methodology, as described below. The APEC Base Year is FY14.

For each hospital, the 2<sup>nd</sup> RY18 Period APEC will equal the sum of (1) the Episode-Specific Total EAPG Payment, plus (2) if applicable, an APEC Outlier Component.

The “Episode-Specific Total EAPG Payment” is equal to the sum of all of the episode’s claim detail line EAPG<sup>9</sup> payment amounts, where each claim detail line EAPG payment amount is equal to the product of the APEC Outpatient Statewide Standard and the claim detail line’s Adjusted EAPG Weight.

- In determining the APEC Outpatient Statewide Standard, an average outpatient cost per episode is calculated for each hospital, utilizing the hospital’s FY14 outpatient cost-to-charge ratio from its 403 cost report, and allowed charges and episodes from FY14 PAPE paid claims data in MMIS. Each Hospital’s average outpatient cost per episode was divided by the Hospital’s FY14 outpatient casemix index to produce the Hospital’s standardized cost per episode. An efficiency standard was applied by capping standardized Hospital costs, weighted by total statewide FY16 episodes, at the 67% level of costs. The weighted mean of the Hospitals’ capped costs per episode is adjusted by an outlier adjustment factor and inflation is applied, which result is then divided by a conversion factor to result in the APEC Outpatient Statewide Standard.
- EAPGs are assigned to the Episode’s APEC-covered services based on information within a properly submitted outpatient Hospital claim, utilizing the 3M EAPG grouper version 3.10. EAPGs are assigned at the claim detail line level. The MassHealth EAPG weight is the MassHealth relative weight developed by MassHealth for each unique EAPG. The 3M EAPG grouper’s discounting, consolidation and packaging logic is applied to each of the Episode’s claim detail line MassHealth EAPG weights to produce the claim detail line’s Adjusted EAPG Weight.

The APEC Outlier Component (if applicable) is equal to the product of the marginal cost factor of 80%, and the amount by which the episode-specific case cost exceeds the episode-specific outlier threshold, as calculated by EOHHS. The episode-specific case cost is the product of episode’s total allowed charges (which is the sum of the MassHealth allowed charges for all of the claim detail lines with APEC-covered services in the episode that adjudicate to pay), and the hospital’s FY16 outpatient cost-to-charge ratio (based on the hospital’s FY16 Massachusetts Hospital cost report). The episode-specific outlier threshold is the sum of (1) the Episode-Specific Total EAPG Payment and (2) the 2<sup>nd</sup> RY18 Period fixed outpatient outlier threshold of \$2,750.00. In no case is an APEC Outlier Component payable if the Episode-Specific Total EAPG Payment is \$0.

In calculating the APEC for the hospital that is a PPS-exempt cancer hospital under 42 CFR 412.23(f), an adjusted APEC Outpatient Statewide Standard is applied.

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<sup>9</sup> EAPG stands for Enhanced Ambulatory Patient Group, and refers to a group of outpatient services that have been bundled for purposes of categorizing and measuring casemix. EAPGs are assigned to claim detail lines containing APEC-covered services based on information contained on a properly submitted outpatient hospital claim by the 3M EAPG grouper version 3.10 (configured for the MassHealth APEC methodology).

### **Critical Access Hospitals**

The RY18 payment methodology for in-state Critical Access Hospitals is described in Part II, Section 1.A., above.

### **RY18 In-State Acute Outpatient Hospital APEC Rate Components**

The in-state acute outpatient hospital APEC rate components applicable to the 1<sup>st</sup> RY18 Period and the 2<sup>nd</sup> RY18 Period, respectively, are set forth in Attachment B attached hereto.

## **B. Summary of Proposed Changes**

RY18 payment methods for in-state acute outpatient hospital services include the following changes from the RY17 payment methods.

- (1) RY18 will be bifurcated into the 1<sup>st</sup> RY18 Period and the 2<sup>nd</sup> RY18 Period for purposes of applying the in-state acute outpatient hospital APEC methodology (for Critical Access Hospitals, see below).
  - During the 1<sup>st</sup> RY18 Period, hospitals will continue to be paid using the APEC payment methodology and rate components that were in effect in RY17.
  - Effective as of the 2<sup>nd</sup> RY18 Period, an updated APEC payment method will be applied. Proposed changes that apply in calculating the APEC method beginning with the 2<sup>nd</sup> RY18 Period include the following (see item (2) below).
- (2) In calculating the APEC applicable to dates of service in the 2<sup>nd</sup> RY18 Period:
  - For the APEC Outpatient Statewide Standard, FY16 PAPE-paid episodes (changed from FY15) were used in weighting APEC Base Year (FY14) costs for determining the efficiency standard, which was set at the 67% level of costs (changed from 65%).
  - An inflation update of 2.26% was applied to reflect price changes between RY17 and RY18.
  - For the APEC Outlier Component calculation, the fixed outpatient outlier threshold is \$2,750 (changed from \$2,100), and the Hospital's FY16 outpatient cost-to-charge ratio is calculated based on the Hospital's FY16 Massachusetts Hospital cost report (changed from FY15 data).
- (3) For critical access hospitals that are paid at 101% of allowable costs utilizing Medicare's cost-based reimbursement methodology, interim APEC rates that were in effect in RY17 will continue to apply to episodes with dates of service in the 1<sup>st</sup> RY18 Period. For episodes with dates of service in the 2<sup>nd</sup> RY18 Period, the interim APEC rates were derived utilizing cost data from the hospital's FY16 CMS 2552-10 cost report. Final payment will be made as set forth in Section II.1.A, above.

## **3. In-State Acute Hospital Supplemental Payments**

In addition to the payments specified above, EOHHS makes state plan supplemental payments to certain qualifying in-state acute hospitals. The RY18 state plan supplemental payment methods to hospitals that qualify as Essential MassHealth Hospitals, Acute Hospitals with High Medicaid Discharges, and High Medicaid Volume Freestanding Pediatric Acute Hospitals are substantially similar to the RY17 supplemental payment methods; provided that, the maximum state plan supplemental payment amounts to the Essential MassHealth Hospitals have been updated to reflect decreased estimated payments for RY18. Additional RY18 changes include the following:

- For the High Public Payer Hospital<sup>10</sup> supplemental payment, the inpatient and outpatient pro rata allocation used in apportioning payment amounts to qualifying hospitals will now be based on FY18 MCO,<sup>11</sup> Primary Care Accountable Care Organization (Primary Care ACO), and Primary Care Clinician Plan (PCC Plan) discharge and episode volume, with FY18 MCO and Primary Care ACO discharges and episodes weighted at 60% and FY18 PCC Plan discharges and episodes weighted at 40%. The RY18 aggregate inpatient and outpatient supplemental payment amounts have not changed.
- Freestanding Pediatric Acute Hospital High Complexity Supplemental Payment has been added – qualifying Freestanding Pediatric Acute Hospitals will receive a supplemental payment in an amount which will be determined by apportioning a total of \$7.6M to qualifying hospitals on a pro-rata basis according to each qualifying hospital’s number of inpatient discharges in FY17.
- Pediatric Specialty Unit High Complexity Supplemental Payment has been added– qualifying hospitals with Pediatric Specialty Units will receive a supplemental payment in an amount which will be determined by apportioning a total of \$2.5M to qualifying hospitals on a pro rata basis according to each qualifying hospital’s number of inpatient discharges in FY17.
- High Medicaid Volume Safety Net Hospital Supplemental Payment has been added – a qualifying High Medicaid Volume Safety Net Hospital<sup>12</sup> will receive a supplemental payment in an amount up to the variance between the hospital’s inpatient charges and its other inpatient hospital state plan payments for the applicable federal fiscal year, not to exceed \$12M. Payment will be determined based on the hospital’s financial reports as required by EOHHS and the hospital’s other inpatient hospital state plan payments, and will be subject to a separate payment agreement between the qualifying hospital and EOHHS.

#### **4. In-State Pay for Performance (P4P)**

The maximum allocated amount for P4P for RY18 is unchanged at \$25M, which is planned to be paid in a subsequent rate year following finalization of RY18 P4P data. For RY18, the Newborn measure set will be eligible for pay-for-performance (in place of pay-for-reporting) incentive payments, and will now be included in the Health Disparities Composite Measure category.

#### **Justification**

Except as specified above, the acute inpatient and outpatient hospital payment methods for Rate Year 2018 are substantially similar to those for Rate Year 2017. All changes to hospital payment rates and methods, including the updated rates and rate components effective in the 2<sup>nd</sup> RY18 Period, are in accordance with state and federal law and are within the range of reasonable payment levels to acute hospitals.

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<sup>10</sup> Qualifying hospitals will be hospitals that received more than 63% of their gross patient service revenue in FY16 from government payers and free care as determined by MassHealth based on the hospital’s FY16 Massachusetts Hospital cost report.

<sup>11</sup> MCOs for this purpose mean all MCOs as defined in Section 2 of the RY18 acute hospital RFA, except for Senior Care Organizations and One Care plans. Under the RY18 RFA, MCOs will now also include Accountable Care Partnership Plans.

<sup>12</sup> A qualifying High Medicaid Volume Safety Net Hospital is an acute hospital with a ratio of Medicaid inpatient days to total inpatient days that was greater than 45% based on the Hospital’s FY14 403 cost report, and that enters into a separate payment agreement with EOHHS.

### **Estimated Fiscal Effect**

EOHHS estimates that annual aggregate acute hospital state plan expenditures resulting from these RY18 payment methods will decrease by approximately \$104.3 million overall, broken down as follows: an estimated \$105.4 million decrease in estimated annual aggregate *in-state* acute inpatient and outpatient hospital state plan expenditures; and an estimated \$1.1 million increase in estimated annual aggregate *out-of-state* acute inpatient and outpatient hospital state plan expenditures. The estimated decrease in in-state expenditures is predominantly attributable to significant decreases in the estimated state plan supplemental payment amounts to the Essential MassHealth Hospitals for RY18. Holding utilization constant, EOHHS estimates that the fiscal impact resulting from the changes in payment methods for rates to acute inpatient and outpatient hospitals effective with the 2<sup>nd</sup> RY18 Period, will result in an increase, in the aggregate, of 2.6% to the rates on an annualized basis.

**Statutory Authority:** M.G.L. c. 118E; St. 2017, c. 47; St. 2012, c. 224; 42 USC 1396a; 42 USC 1396b.

**Related Regulations:** 130 CMR 410, 415, 450; 42 CFR Parts 431 and 447.

# In-State Acute Hospitals

## Section 2: Definitions

The following terms appearing capitalized throughout this RFA and its appendices shall be defined as follows, unless the context clearly indicates otherwise. The definitions set forth in the “**1<sup>st</sup> RY18 Period**” column apply during the **1<sup>st</sup> RY18 Period** (as defined below). Effective as of the first day of the **2<sup>nd</sup> RY18 Period** (as defined below), the definitions in the “**2<sup>nd</sup> RY18 Period**” column apply unless (i) that column specifies that there is no change to the definition, or (ii) for purposes of the APAD, inpatient Outlier Payment, and Transfer per Diem payment methodologies set forth in **Sections 5.B.1** through **5.B.3** of this RFA, the admission occurred in the **1<sup>st</sup> RY18 Period**, or (iii) for purposes of the APEC payment methodology set forth in **Section 5.C.1**, the Episode’s first date of service for Emergency Department or Observation Services that extend past midnight occurred in the **1<sup>st</sup> RY18 Period**, in which case the definitions set forth in the **1<sup>st</sup> RY18 Period** column continue to apply. See also **Section 5.H**.

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
<b>1<sup>st</sup> RY18 Period</b>	the “1 <sup>st</sup> RY18 Period” is the period from October 1, 2017 through February 28, 2018.	No change to definition.
<b>2<sup>nd</sup> RY18 Period</b>	the “2 <sup>nd</sup> RY18 Period” is the period from March 1, 2018 through the end of RY18.	No change to definition.
<b>3M EAPG Grouper</b>	the 3M Corporation’s EAPG Grouper Version 3.10, configured for the MassHealth APEC payment method.	No change to definition.
<b>Accountable Care Organization (ACO)</b>	an entity that enters into a population-based payment model contract with EOHHS as an accountable care organization, wherein the entity is held financially accountable for the cost and quality of care for an attributed or enrolled member population. ACOs include Accountable Care Partnership Plans (ACPPs), Primary Care ACOs, and MCO-Administered ACOs.	No change to definition.
<b>Accountable Care Partnership Plan (ACPP)</b>	a type of ACO with which the MassHealth agency contracts under its ACO program to provide, arrange for, and coordinate care and certain other medical services to members on a capitated basis and which is approved by the Massachusetts Division of Insurance as a health-maintenance organization (HMO) and which is organized primarily for the purpose of providing health care services.	No change to definition.

## In-State Acute Hospitals

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
<b>Adjudicated Payment Amount Per Discharge (APAD)</b>	a Hospital-specific, DRG-specific all-inclusive facility payment for an acute inpatient hospitalization from admission through discharge, which is the complete fee-for-service payment for such acute hospitalization, excluding the additional payment of any inpatient Hospital Outlier Payment. The APAD is not paid for Administrative Days or for Inpatient Services that are paid on a per diem basis under this RFA (for example, Transfer per diem). The APAD is calculated as set forth in <b>Section 5.B.1</b> , utilizing the methodology applicable to the 1 <sup>st</sup> RY18 Period.	a Hospital-specific, DRG-specific all-inclusive facility payment for an acute inpatient hospitalization from admission through discharge, which is the complete fee-for-service payment for such acute hospitalization, excluding the additional payment of any inpatient Hospital Outlier Payment. The APAD is not paid for Administrative Days or for Inpatient Services that are paid on a per diem basis under this RFA (for example, Transfer per diem). The APAD is also not payment for the LARC Device, which may be paid separately as described in <b>Section 5.B.8</b> . The APAD is calculated as set forth in <b>Section 5.B.1</b> , utilizing the methodology applicable to the 2 <sup>nd</sup> RY18 Period.
<b>Adjudicated Payment per Episode of Care (APEC)</b>	a Hospital-specific, Episode-specific all-inclusive facility payment for all APEC-Covered Services provided by a Hospital to a MassHealth Member on an outpatient basis in one Episode. The APEC is not payment for those outpatient services described in <b>Section 4.C</b> and <b>Sections 5.C.3 through 5.C.8</b> , as such services are excluded from the definitions of “APEC-Covered Services” and “Episode” under this RFA. The APEC is calculated as set forth in <b>Section 5.C.1</b> utilizing the methodology applicable to the 1 <sup>st</sup> RY18 Period.	a Hospital-specific, Episode-specific all-inclusive facility payment for all APEC-Covered Services provided by a Hospital to a MassHealth Member on an outpatient basis in one Episode. The APEC is not payment for those outpatient services described in <b>Section 4.C</b> and <b>Sections 5.C.3 through 5.C.8</b> , as such services are excluded from the definitions of “APEC-Covered Services” and “Episode” under this RFA. The APEC is calculated as set forth in <b>Section 5.C.1</b> utilizing the methodology applicable to the 2 <sup>nd</sup> RY18 Period.
<b>Adjusted EAPG Weight</b>	the EAPG weight that is multiplied by the APEC Outpatient Statewide Standard in determining each of the Episode’s claim detail line EAPG payment amounts for purposes of calculating the Episode-Specific Total EAPG Payment, utilizing the methodology applicable to the 1 <sup>st</sup> RY18 Period. The 3M EAPG Grouper’s discounting, consolidation and packaging logic is applied to each of the Episode’s claim detail line MassHealth EAPG Weights to produce the claim detail line’s Adjusted EAPG Weight.	the EAPG weight that is multiplied by the APEC Outpatient Statewide Standard in determining each of the Episode’s claim detail line EAPG payment amounts for purposes of calculating the Episode-Specific Total EAPG Payment, utilizing the methodology applicable to the 2 <sup>nd</sup> RY18 Period. The 3M EAPG Grouper’s discounting, consolidation and packaging logic is applied to each of the Episode’s claim detail line MassHealth EAPG Weights to produce the claim detail line’s Adjusted EAPG Weight.
<b>Administrative Day (AD)</b>	a day of inpatient hospitalization on which a Member’s care needs can be provided in a setting other than an Acute Hospital, and	No change to definition.

## In-State Acute Hospitals

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	on which the Member is clinically ready for discharge, but an appropriate institutional or non-institutional setting is not readily available.	
<b>All Patient Refined– Diagnostic Related Group (APR-DRG or DRG)</b>	the All Patient Refined Diagnosis Related Group and Severity of Illness (SOI) assigned using the 3M APR-DRG Grouper, Version 33, unless otherwise specified.	the All Patient Refined Diagnosis Related Group and Severity of Illness (SOI) assigned using the 3M APR-DRG Grouper, Version 34, unless otherwise specified.
<b>APAD Base Year</b>	the hospital-specific base year for the APAD is FY12, using the FY12 -403 cost reports as screened and updated as of June 9, 2014.	the hospital-specific base year for the APAD is FY16, using the FY16 Massachusetts Hospital cost reports as screened and updated as of June 30, 2017.
<b>APEC Base Year</b>	the APEC Base Year is FY14.	No change to definition.
<b>APEC-Covered Services</b>	MassHealth-covered Outpatient Services provided by Hospital Outpatient Departments or Satellite Clinics, except those services described in <b>Section 4.C</b> and <b>Sections 5.C.3</b> through <b>5.C.8</b> .	No change to definition.
<b>APEC Outlier Component</b>	A Hospital-specific, Episode-specific component of the APEC which is calculated by EOHHS as described in <b>Section 5.C.1.b.(2)</b> utilizing the methodology applicable to the 1 <sup>st</sup> RY18 Period, and added to the Episode-Specific Total EAPG Payment to result in the APEC for that Episode. The APEC Outlier Component may equal \$0.	A Hospital-specific, Episode-specific component of the APEC which is calculated by EOHHS as described in <b>Section 5.C.1.b.(2)</b> utilizing the methodology applicable to the 2 <sup>nd</sup> RY18 Period, and added to the Episode-Specific Total EAPG Payment to result in the APEC for that Episode. The APEC Outlier Component may equal \$0.
<b>Behavioral Health (BH) Contractor</b>	the entity with which EOHHS contracts to provide Behavioral Health Services to enrolled Members.	No change to definition.
<b>Behavioral Health Services</b>	services provided to Members who are being treated for psychiatric disorders or substance-related disorders.	No change to definition.
<b>Casemix</b>	the description and categorization of a hospital’s patient population according to criteria approved by EOHHS including, but not limited to, primary and secondary diagnoses, primary and secondary procedures, illness severity, patient age and source of payment.	No change to definition.

## In-State Acute Hospitals

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
<b>Center for Health Information and Analysis (CHIA)</b>	The Center for Health Information and Analysis established under M.G.L. c. 12C.	No change to definition.
<b>Centers for Medicare &amp; Medicaid Services (CMS)</b>	the federal agency under the Department of Health and Human Services that is responsible for administering the Medicare and Medicaid programs.	No change to definition.
<b>Charge</b>	the uniform price for each specific service within a Revenue Center of an Acute Hospital.	No change to definition.
<b>Clinical Laboratory Service</b>	Microbiological, serological, chemical, hematological, biophysical, radio bioassay, cytological, immunohematological, immunological, pathological, or other examinations of materials derived from the human body, to provide information for the assessment of a medical condition or for the diagnosis, prevention, or treatment of any disease.	No change to definition.
<b>Coinsurance</b>	a percentage of cost or a fee established by a Third-Party Insurance carrier for a specific service or item for which an individual is responsible when the service or supply is delivered. This cost or fee varies according to the individual's insurance carrier.	No change to definition.
<b>Community-Based Physician</b>	any physician or physician group practice, excluding interns, residents, fellows, and house officers, who is not a Hospital-Based Physician. For purposes of this definition and related provisions, the term physician includes dentists, podiatrists, and osteopaths.	No change to definition.
<b>Contract (also Hospital Contract or Agreement)</b>	the agreement executed between each selected Hospital and EOHHS, which is contained in <b>Appendix A</b> attached hereto, and incorporates all of the provisions of this RFA. Unless the context indicates that the term "RFA" refers exclusively to the procurement document as such, references to RFA shall constitute references to the Contract (or Agreement).	No change to definition.
<b>Contractor</b>	each Hospital that is selected by EOHHS after submitting a satisfactory application	No change to definition.

## In-State Acute Hospitals

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	in response to this RFA and that enters into a Contract with EOHHS to meet the purposes specified in this RFA.	
<b>Copayment</b>	a predetermined fee that the Member is responsible for paying directly to the Provider for specific services.	No change to definition.
<b>Critical Access Hospital (CAH)</b>	an Acute Hospital that, prior to October 1, 2017, was certified by CMS and designated as a Critical Access Hospital under 42 U.S.C. 1395i-4, and that continues to maintain that status.	No change to definition.
<b>Deductible</b>	the amount an individual is required to pay in each calendar year, as specified in their insurance plan, before any payments are made by the insurer.	No change to definition.
<b>Department of Mental Health (DMH)</b>	a department of the Commonwealth of Massachusetts, Executive Office of Health and Human Services.	No change to definition.
<b>Department of Public Health (DPH)</b>	a department of the Commonwealth of Massachusetts, Executive Office of Health and Human Services.	No change to definition.
<b>Discharge-Specific Case Cost</b>	the product of the Hospital's MassHealth allowed charges for a specific discharge, as determined by EOHHS, and the Hospital's inpatient cost to charge ratio as calculated by EOHHS using the Hospital's FY 14 - 403 cost report.	the product of the Hospital's MassHealth allowed charges for a specific discharge, as determined by EOHHS, and the Hospital's inpatient cost to charge ratio as calculated by EOHHS using the Hospital's FY 16 Massachusetts Hospital Cost Report. For applicable discharges, a Hospital's charges corresponding to a LARC Device are excluded in calculating the Discharge-Specific Case Cost.
<b>Discharge-Specific Outlier Threshold</b>	the sum of the Pre-Adjusted APAD for a specific discharge, as determined by EOHHS utilizing the methodology applicable to the 1 <sup>st</sup> RY18 Period, and the inpatient Fixed Outlier Threshold.	the sum of the Pre-Adjusted APAD for a specific discharge, as determined by EOHHS utilizing the methodology applicable to the 2 <sup>nd</sup> RY18 Period, and the inpatient Fixed Outlier Threshold.
<b>DMH-Licensed Bed</b>	a bed in a Hospital that is located in a unit licensed by the Department of Mental Health (DMH), pursuant to 104 CMR 27.00 et seq.	No change to definition.
<b>Emergency Aid to the Elderly, Disabled and Children</b>	the program operated by the Department of Transitional Assistance, pursuant to M.G.L. c. 117A, that furnishes and pays	No change to definition.

## In-State Acute Hospitals

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	for limited medical services to eligible persons.	
<b>Emergency Department (ED)</b>	a Hospital's Emergency Room or Level I Trauma Center which is located at the same site as the Hospital's inpatient department.	No change to definition.
<b>Emergency Medical Condition</b>	a medical condition, whether physical or mental, manifesting itself by symptoms of sufficient severity, including severe pain, that, in the absence of prompt medical attention, could reasonably be expected by a prudent layperson who possesses an average knowledge of health and medicine to result in placing the health of a Member or another person or, in the case of a pregnant woman, the health of the woman or her unborn child, in serious jeopardy, serious impairment to body function, or serious dysfunction of any bodily organ or part, or, with respect to a pregnant woman, as further defined in section 1867(e)(1)(B) of the Social Security Act, 42 U.S.C. § 1395dd(e)(1)(B).	No change to definition.
<b>Emergency Services</b>	covered Inpatient and Outpatient Services, including Behavioral Health Services, which are furnished to a Member by a Provider that is qualified to furnish such services under Title XIX of the Social Security Act, and are needed to evaluate or stabilize a Member's Emergency Medical Condition.	No change to definition.
<b>Enhanced Ambulatory Patient Group (EAPG)</b>	a group of Outpatient Services that have been bundled for purposes of categorizing and measuring casemix. It is based on the 3M Corporation's EAPG Grouper Version 3.10.	No change to definition.
<b>Episode</b>	all MassHealth-covered Outpatient Services, except those described in <b>Section 4.C</b> and <b>Sections 5.C.3 through 5.C.8</b> , delivered to a MassHealth Member on a single calendar day, or if the services extend past midnight in the case of Emergency Department or Observation Services, on consecutive days. (See also definition of Observation Services).	No change to definition.

## In-State Acute Hospitals

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	Additionally, in limited circumstances, APEC-Covered Services delivered to a MassHealth Member during a second distinct and independent visit on the same calendar day may be considered a separate Episode for payment purposes if the services are for unrelated purposes and conditions as determined by EOHHS.	
<b>Episode's Total Allowed Charges</b>	the sum of the MassHealth allowed charges for all of the claim detail lines with APEC-Covered Services in an Episode that adjudicate to pay, as determined by EOHHS based on a properly submitted APEC claim.	the sum of the MassHealth allowed charges for all of the claim detail lines with APEC-Covered Services in an Episode that adjudicate to pay, as determined by EOHHS based on a properly submitted APEC claim.
<b>Episode-Specific Case Cost</b>	the product of (1) the Episode's Total Allowed Charges, and (2) the Hospital's FY14 outpatient cost-to-charge ratio, as calculated by EOHHS using the Hospital's FY14 403 cost report.	the product of (1) the Episode's Total Allowed Charges, and (2) the Hospital's FY16 outpatient cost-to-charge ratio, as calculated by EOHHS using the Hospital's FY16 Massachusetts Hospital Cost Report.
<b>Episode-Specific Outlier Threshold</b>	the sum of (1) the Episode-Specific Total EAPG Payment, as determined by EOHHS, and (2) the Fixed Outpatient Outlier Threshold.	the sum of (1) the Episode-Specific Total EAPG Payment, as determined by EOHHS, and (2) the Fixed Outpatient Outlier Threshold.
<b>Episode-Specific Total EAPG Payment</b>	an Episode-specific payment amount, which summed with the APEC Outlier Component (as applicable) results in the APEC for that Episode. The Episode-Specific Total EAPG Payment is calculated as set forth in <b>Section 5.C.1.b.(1)</b> , utilizing the methodology applicable to the 1 <sup>st</sup> RY18 Period.	an Episode-specific payment amount, which summed with the APEC Outlier Component (as applicable) results in the APEC for that Episode. The Episode-Specific Total EAPG Payment is calculated as set forth in <b>Section 5.C.1.b.(1)</b> , utilizing the methodology applicable to the 2 <sup>nd</sup> RY18 Period.
<b>Excluded Units</b>	Non-Acute Units as defined in this section; any unit which has a separate license from the Hospital; psychiatric and substance abuse units; and non-distinct observation units.	No change to definition.
<b>Executive Office of Health and Human Services (EOHHS)</b>	the single state agency that is responsible for the administration of the MassHealth Program, pursuant to M.G.L. c. 118E and Titles XIX and XXI of the Social Security Act and other applicable laws and waivers.	No change to definition.
<b>Fiscal Year (FY)</b>	The time period of 12 months beginning on October 1 of any calendar year and ending on September 30 of the	No change to definition.

## In-State Acute Hospitals

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	immediately following calendar year.	
<b>Fixed Outlier Threshold (inpatient)</b>	For the 1 <sup>st</sup> RY18 Period, the Fixed Outlier Threshold for purposes of calculating any inpatient Hospital Outlier Payment is \$25,000.00.	For the 2 <sup>nd</sup> RY18 Period, the Fixed Outlier Threshold for purposes of calculating any inpatient Hospital Outlier Payment is \$25,500.00.
<b>Fixed Outpatient Outlier Threshold</b>	For the 1 <sup>st</sup> RY18 Period, the Fixed Outpatient Outlier Threshold for purposes of calculating the APEC Outlier Component is \$2,100.	For the 2 <sup>nd</sup> RY18 Period, the Fixed Outpatient Outlier Threshold for purposes of calculating the APEC Outlier Component is \$2,750.00.
<b>Freestanding Pediatric Acute Hospital</b>	an Acute Hospital which limits admissions primarily to children and which qualifies as exempt from the Medicare prospective payment system regulations.	No change to definition.
<b>Gross Patient Service Revenue</b>	the total dollar amount of a Hospital's charges for services rendered in a fiscal year	No change to definition.
<b>High Medicaid Volume Freestanding Pediatric Acute Hospital</b>	a Freestanding Pediatric Acute Hospital with more than 1,000 Medicaid discharges in FY12 for which a SPAD was paid, as determined by paid claims in MMIS as of May 11, 2013, and for which MassHealth was the primary payer.	No change to definition.
<b>High Medicaid Volume Safety Net Hospital</b>	an Acute Hospital which had a ratio of Medicaid inpatient days to total inpatient days that was greater than 45% in FY14, based on the Hospital's FY14 403 cost report.	No change to definition.
<b>Hospital (also Acute Hospital)</b>	any Hospital licensed under M.G.L. c. 111, § 51 and which meets the eligibility criteria set forth in <b>Section 3</b> of this RFA.	No change to definition.
<b>Hospital-Based Physician</b>	any physician or physician group practice (excluding interns, residents, fellows, and house officers) who contracts with a Hospital to provide Hospital Services to Members at a site for which the hospital is otherwise eligible for reimbursement under this RFA. For purposes of this definition and related provisions, the term physician includes dentists, podiatrists, and osteopaths. Nurse practitioners, nurse midwives, physician assistants, and other allied health professionals are not Hospital-	No change to definition.

## In-State Acute Hospitals

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	Based Physicians.	
<b>Hospital Discharge Data (HDD)</b>	Hospital discharge filings, as provided and verified by each hospital and submitted to CHIA, including FY12 Acute Hospital casemix data as screened and updated by CHIA as of June 9, 2014, for purposes of <b>Section 5.B.1</b> , on APAD rate development as applicable to the 1 <sup>st</sup> RY18 Period.	Hospital discharge filings for FY16 provided and verified by each hospital, submitted to CHIA and screened and updated by CHIA as of June 20, 2017. HDD is used for determining casemix as part of the APAD rate development applicable to the 2 <sup>nd</sup> RY18 Period, as set forth in <b>Section 5.B.1</b> .
<b>Hospital-Licensed Health Center (HLHC)</b>	a Satellite Clinic that (1) meets MassHealth requirements for reimbursement as an HLHC as provided at 130 CMR 410.413; and (2) is approved by and enrolled with MassHealth's Provider Enrollment Unit as an HLHC.	No change to definition.
<b>Inflation Factors for Administrative Days</b>	<p>an inflation factor that is a blend of the Center for Medicare and Medicaid Services (CMS) market basket and the Massachusetts Consumer Price Index (CPI). Specifically, the CPI replaces the labor-related component of the CMS market basket to reflect conditions in the Massachusetts economy. The Inflation Factor for Administrative Days is as follows:</p> <ul style="list-style-type: none"> <li>• 1.659% reflects the price changes between RY15 and RY16</li> </ul>	<p>an inflation factor that is a blend of the Center for Medicare and Medicaid Services (CMS) market basket and the Massachusetts Consumer Price Index (CPI). Specifically, the CPI replaces the labor-related component of the CMS market basket to reflect conditions in the Massachusetts economy. The Inflation Factor for Administrative Days is as follows:</p> <ul style="list-style-type: none"> <li>• 1.937% reflects the price changes between RY16 and RY17</li> <li>• 2.26% reflects the price changes between RY17 and RY18</li> </ul>
<b>Inflation Factors for Capital Costs</b>	<p>the factors used by CMS to update capital payments made by Medicare, which is based on the CMS Capital Input Price Index. The Inflation Factors for Capital Costs between RY04 and RY17 are as follows:</p> <ul style="list-style-type: none"> <li>• 0.7% reflects the price changes between RY04 and RY05</li> <li>• 0.7% reflects the price changes between RY05 and RY06</li> <li>• 0.8% reflects the price changes between RY06 and RY07</li> <li>• 0.9% reflects the price changes between RY07 and RY08</li> <li>• 0.7% reflects the price changes</li> </ul>	<p>the factors used by CMS to update capital payments made by Medicare, which is based on the CMS Capital Input Price Index. The Inflation Factors for Capital Costs between RY04 and RY18 are as follows:</p> <ul style="list-style-type: none"> <li>• 0.7% reflects the price changes between RY04 and RY05</li> <li>• 0.7% reflects the price changes between RY05 and RY06</li> <li>• 0.8% reflects the price changes between RY06 and RY07</li> <li>• 0.9% reflects the price changes between RY07 and RY08</li> <li>• 0.7% reflects the price changes</li> </ul>

## In-State Acute Hospitals

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	<p>between RY08 and RY09</p> <ul style="list-style-type: none"> <li>• 1.4% reflects the price changes between RY09 and RY10</li> <li>• 1.5% reflects the price changes between RY10 and RY11</li> <li>• 1.5% reflects the price changes between RY11 and RY12</li> <li>• 1.2% reflects the price changes between RY12 and RY13</li> <li>• 1.4% reflects the price changes between RY13 and RY14</li> <li>• 1.5% reflects the price changes between RY14 and RY15</li> <li>• 1.3% reflects the price changes between RY15 and RY16</li> <li>• 0.9% reflects the price changes between RY16 and RY17</li> </ul>	<p>between RY08 and RY09</p> <ul style="list-style-type: none"> <li>• 1.4% reflects the price changes between RY09 and RY10</li> <li>• 1.5% reflects the price changes between RY10 and RY11</li> <li>• 1.5% reflects the price changes between RY11 and RY12</li> <li>• 1.2% reflects the price changes between RY12 and RY13</li> <li>• 1.4% reflects the price changes between RY13 and RY14</li> <li>• 1.5% reflects the price changes between RY14 and RY15</li> <li>• 1.3% reflects the price changes between RY15 and RY16</li> <li>• 0.9% reflects the price changes between RY16 and RY17</li> <li>• 1.3% reflects the price changes between RY17 and RY18</li> </ul>
<b>Inflation Factors for Operating Costs</b>	<p>for price changes between RY04 and RY07, and between RY08 and RY17, a blend of the Center for Medicare and Medicaid Services (CMS) market basket and the Massachusetts Consumer Price Index (CPI) in which the CPI replaces the labor-related component of the CMS market basket to reflect conditions in the Massachusetts economy. For price changes between RY07 and RY08, the inflation factor for operating costs is the CMS market basket. The Inflation Factors for Operating Costs between RY04 and RY17 are as follows:</p> <ul style="list-style-type: none"> <li>• 1.186% reflects price changes between RY04 and RY05</li> <li>• 1.846% reflects price changes between RY05 and RY06</li> <li>• 1.637% reflects price changes between RY06 and RY07</li> <li>• 3.300% reflects price changes between RY07 and RY08</li> <li>• 3.000% reflects price changes between RY08 and RY09 for the period October 1, 2008 through December 6, 2008</li> <li>• 1.424% reflects price changes between RY08 and RY09 for the period</li> </ul>	<p>for price changes between RY04 and RY07, and between RY08 and RY18, a blend of the Center for Medicare and Medicaid Services (CMS) market basket and the Massachusetts Consumer Price Index (CPI) in which the CPI replaces the labor-related component of the CMS market basket to reflect conditions in the Massachusetts economy. For price changes between RY07 and RY08, the inflation factor for operating costs is the CMS market basket. The Inflation Factors for Operating Costs between RY04 and RY18 are as follows:</p> <ul style="list-style-type: none"> <li>• 1.186% reflects price changes between RY04 and RY05</li> <li>• 1.846% reflects price changes between RY05 and RY06</li> <li>• 1.637% reflects price changes between RY06 and RY07</li> <li>• 3.300% reflects price changes between RY07 and RY08</li> <li>• 3.000% reflects price changes between RY08 and RY09 for the period October 1, 2008 through December 6, 2008</li> <li>• 1.424% reflects price changes between RY08 and RY09 for the period</li> </ul>

## In-State Acute Hospitals

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	<p>December 7, 2008 through September 30, 2009</p> <ul style="list-style-type: none"> <li>• 0.719% reflects the price changes between RY09 and RY10</li> <li>• 1.820% reflects the price changes between RY10 and RY11</li> <li>• 1.665% reflects the price changes between RY11 and RY12</li> <li>• 1.775% reflects the price changes between RY12 and RY13</li> <li>• 1.405% reflects the price changes between RY13 and RY14</li> <li>• 1.611% reflects the price changes between RY14 and RY15</li> <li>• 1.573% reflects the price changes between RY15 and RY16</li> <li>• 1.937% reflects the price changes between RY16 and RY17</li> </ul>	<p>December 7, 2008 through September 30, 2009</p> <ul style="list-style-type: none"> <li>• 0.719% reflects the price changes between RY09 and RY10</li> <li>• 1.820% reflects the price changes between RY10 and RY11</li> <li>• 1.665% reflects the price changes between RY11 and RY12</li> <li>• 1.775% reflects the price changes between RY12 and RY13</li> <li>• 1.405% reflects the price changes between RY13 and RY14</li> <li>• 1.611% reflects the price changes between RY14 and RY15</li> <li>• 1.573% reflects the price changes between RY15 and RY16</li> <li>• 1.937% reflects the price changes between RY16 and RY17</li> <li>• 2.26% reflects the price changes between RY17 and RY18</li> </ul>
<b>Inpatient Admission</b>	the admission of a Member to an Acute Hospital for the purpose of receiving Inpatient Services in that Hospital.	No change to definition.
<b>Inpatient Services</b>	medical services, including behavioral health services, provided to a Member admitted to an Acute Hospital. Payment rules regarding Inpatient Services are found in 130 CMR Parts 415 and 450, the regulations referenced therein, Appendix F to the MassHealth Acute Inpatient Hospital Manual, MassHealth billing instructions, and this RFA.	No change to definition.
<b>Insurance Payment</b>	a payment received from any entity or individual legally responsible for paying all or part of the medical claims of MassHealth Members. Sources of payments include, but are not limited to: commercial health insurers, Medicare, MCOs, personal injury insurers, automobile insurers, and Workers' Compensation.	No change to definition.
<b>Liability</b>	the obligation of an individual to pay, pursuant to the individual's Third-Party Insurance, for the services or items delivered (i.e., Coinsurance, Copayment or Deductible).	No change to definition.

## In-State Acute Hospitals

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
<b>Long-Acting Reversible Contraception (LARC) Device</b>	Not Applicable	Long-acting reversible contraception (LARC) device refers, specifically, to intrauterine devices and contraceptive implants. LARC Device does not refer to the procedure, itself.
<b>Managed Care Organization (MCO)</b>	any entity with which EOHHS contracts to provide Primary Care and certain other medical services, including behavioral health services, to Members on a capitated basis and which meets the definition of an MCO as set forth in 42 CFR Part 438.2. MCOs include “traditional” MCOs, Senior Care Organizations (SCOs) and CarePlus MCOs. In addition, MCOs include One Care plans for all purposes under this RFA, except for <b>Sections 4.A.2, 4.B.4, 5.D.1</b> and <b>Section 7</b> . MCOs also include Accountable Care Partnership Plans (ACPPs).	No change to definition.
<b>Marginal Cost Factor</b>	For the 1 <sup>st</sup> RY18 Period, the Marginal Cost Factor is 80% (inpatient and outpatient).	For the 2 <sup>nd</sup> RY18 Period, the Marginal Cost Factor is 80% (inpatient and outpatient).
<b>MassHealth (also Medicaid)</b>	the Medical Assistance Program administered by EOHHS to furnish and pay for medical services pursuant to M.G.L. c. 118E and Titles XIX and XXI of the Social Security Act, and any approved waivers of such provisions.	No change to definition.
<b>MassHealth DRG Weight</b>	The MassHealth relative weight developed by EOHHS for each unique combination of APR-DRG and severity of illness (SOI). See <b>Chart C-1 to Appendix C-1</b> for the MassHealth DRG Weights that apply to the 1 <sup>st</sup> RY18 Period, which are unchanged from RY17.	The MassHealth relative weight developed by EOHHS for each unique combination of APR-DRG and severity of illness (SOI). See <b>Chart C-2 to Appendix C-2</b> for the MassHealth DRG Weights that apply to the 2 <sup>nd</sup> RY18 Period.
<b>MassHealth EAPG Weight</b>	The MassHealth relative weight developed by EOHHS for each unique EAPG (See <b>Chart D to Appendix D-1</b> for the RY18 MassHealth EAPG Weights for the APEC methodology). The RY18 MassHealth EAPG Weights with non-zero weights are a 50-50 blend of the weights associated with 3M’s EAPG grouper version 3.5 and those associated with 3M’s EAPG grouper	The MassHealth relative weight developed by EOHHS for each unique EAPG (See <b>Chart D to Appendix D-2</b> for the RY18 MassHealth EAPG Weights for the APEC methodology). The RY18 MassHealth EAPG Weights with non-zero weights are a 50-50 blend of the weights associated with 3M’s EAPG grouper version 3.5 and those associated with 3M’s EAPG grouper

## In-State Acute Hospitals

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	version 3.10, and are unchanged from the RY17 MassHealth EAPG Weights. The 3M EAPG Grouper’s discounting, consolidation and packaging logic is applied to each of the Episode’s claim detail line MassHealth EAPG Weights to produce the claim detail line’s Adjusted EAPG Weight as part of the APEC payment methodology. See also the definition of “Adjusted EAPG Weight.”	version 3.10, and are unchanged from the RY17 MassHealth EAPG Weights. The 3M EAPG Grouper’s discounting, consolidation and packaging logic is applied to each of the Episode’s claim detail line MassHealth EAPG Weights to produce the claim detail line’s Adjusted EAPG Weight as part of the APEC payment methodology. See also the definition of “Adjusted EAPG Weight.”
<b>Medicaid Management Information System (MMIS)</b>	the state-operated system of automated and manual processes, certified by CMS, that meets the federal guidelines in Part 11 of the State Medicaid Manual, used to process Medicaid claims from providers of medical care and services furnished to Members, and to retrieve and produce service utilization and management information for program administration and audit purposes.	No change to definition.
<b>Member</b>	a person determined by EOHHS to be eligible for medical assistance under the MassHealth program.	No change to definition.
<b>Non-Acute Unit</b>	a chronic care, rehabilitation, or skilled nursing facility unit within a Hospital.	No change to definition.
<b>Observation Services</b>	outpatient Hospital Services provided anywhere in an Acute Inpatient Hospital or Hospital Outpatient Department to evaluate a Member’s condition and determine the need for admission to an Acute Hospital. Observation Services are provided under the order of a physician, consist of the use of a bed and intermittent monitoring by professional licensed clinical staff, and may be provided for more than 24 hours. Payment rules regarding Observation Services are found in 130 CMR 410.414, Appendix E to the MassHealth Acute Outpatient Hospital Manual, MassHealth billing instructions, and this RFA.	No change to definition.
<b>One Care: MassHealth plus Medicare (One Care plan)</b>	a health plan or provider-based organization contracted with EOHHS and CMS, and accountable for providing integrated care to individuals age 21 through 64 at the time of enrollment who	No change to definition.

## In-State Acute Hospitals

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	are eligible for both Medicare and MassHealth Standard or CommonHealth and who do not have any other comprehensive public or private health care coverage. A One Care plan is also known as an Integrated Care Organization (ICO).	
<b>Outlier Payment (inpatient)</b>	a hospital-specific, discharge-specific inpatient Hospital payment made in addition to the APAD for qualifying discharges in accordance with <b>Section 5.B.2</b> , utilizing the methodology applicable to the 1 <sup>st</sup> RY18 Period.	a hospital-specific, discharge-specific inpatient Hospital payment made in addition to the APAD for qualifying discharges in accordance with <b>Section 5.B.2</b> , utilizing the methodology applicable to the 2 <sup>nd</sup> RY18 Period.
<b>Outpatient Department (also Hospital Outpatient Department)</b>	a department or unit located at the same site as the Hospital's inpatient facility, or at a School-Based Health Center that operates under the Hospital's license and provides services to Members on an ambulatory basis. Hospital Outpatient Departments include day surgery units, Primary Care clinics, specialty clinics, and Emergency Departments.	No change to definition.
<b>Outpatient Services (also Outpatient Hospital Services)</b>	medical services, including behavioral health services, provided to a Member on an outpatient basis, by or under the direction of a physician or dentist, in a Hospital Outpatient Department or Satellite Clinic for which a reimbursement method is specified in <b>Section 5.C</b> . Such services include, but are not limited to, Emergency Services, Primary Care services, Observation Services, ancillary services, and day surgery services. Payment rules regarding services provided to Members on an outpatient basis are found in 130 CMR Parts 410 and 450, Appendix F to the MassHealth Acute Outpatient Hospital Manual, MassHealth billing instructions, and this RFA.	No change to definition.
<b>PAPE Covered Services</b>	MassHealth-covered Outpatient Services provided by Hospital Outpatient Departments or Satellite Clinics, that were paid utilizing the PAPE payment methodology under prior Acute Hospital RFAs.	No change to definition.

## In-State Acute Hospitals

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
<b>Patient</b>	a person receiving health care services from a hospital.	No change to definition.
<b>Pay-for-Performance Program for Acute Hospitals (P4P)</b>	for RY18, this refers to the pay-for-performance program set forth in Section 7 of the RFA.	No change to definition.
<b>Payment Amount Per Episode (PAPE)</b>	an outpatient payment methodology that was utilized in prior Acute Hospital RFAs. The PAPE was a fixed Hospital-specific all-inclusive facility payment that was made for all PAPE Covered Services provided by a Hospital to a MassHealth Member on an outpatient basis in one Episode (as defined in prior Acute Hospital RFAs), with the exception of those services that were excluded from the PAPE payment methodology as described in those prior RFAs. The outpatient PAPE payment methodology was replaced by the APEC payment methodology during RY17 beginning with dates of service on and after December 30, 2016.	No change to definition.
<b>Pediatric Specialty Unit</b>	a designated pediatric unit, pediatric intensive care unit, or neonatal intensive care unit in an Acute Hospital other than a Freestanding Pediatric Acute Hospital, in which the ratio of licensed pediatric beds to total licensed Hospital beds as of July 1, 1994, exceeded 0.20.	No change to definition.
<b>Pre-Adjusted APAD</b>	the amount calculated by EOHHS utilizing the APAD payment methodology applicable to the 1 <sup>st</sup> RY18 Period set forth in <b>Section 5.B.1</b> , for a specific discharge, but excluding the final step of applying any adjustment for Potentially Preventable Readmissions pursuant to <b>Section 8.1</b> .	the amount calculated by EOHHS utilizing the APAD payment methodology applicable to the 2 <sup>nd</sup> RY18 Period set forth in <b>Section 5.B.1</b> , for a specific discharge, but excluding the final step of applying any adjustment for Potentially Preventable Readmissions pursuant to <b>Section 8.1</b> .
<b>Primary Care</b>	all health care services customarily furnished by or through a general practitioner, family physician, internal medicine physician, obstetrician/gynecologist, pediatrician, certified nurse practitioner, certified nurse midwife, or other eligible primary care provider to the extent the furnishing of those services is legally authorized in the Commonwealth.	No change to definition.

## In-State Acute Hospitals

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
<b>Primary Care ACO</b>	a type of ACO with which the MassHealth agency contracts under its ACO program.	No change to definition.
<b>Primary Care ACO Participating Primary Care Provider (PCP)</b>	a physician, independent certified nurse practitioner, group practice organization, community health center, Hospital-Licensed Health Center, Acute Hospital Outpatient Department, or other eligible providers, who serve as a participating PCP with a Primary Care ACO.	No change to definition.
<b>Primary Care Clinician (PCC)</b>	a physician, independent certified nurse practitioner, group practice organization, community health center, Hospital-Licensed Health Center, Acute Hospital Outpatient Department, or other eligible MassHealth providers with an executed MassHealth PCC Plan Provider contract.	No change to definition.
<b>Primary Care Clinician Plan (PCC Plan)</b>	a comprehensive managed care plan, administered by EOHHS, through which enrolled MassHealth Members receive Primary Care, behavioral health, and other medical services. See 130 CMR 450.118.	No change to definition.
<b>Provider</b>	an individual or entity that has a written contract with EOHHS to provide medical goods or services to Members.	No change to definition.
<b>Psychiatric Per Diem</b>	a statewide per diem payment for psychiatric services provided to members in DMH-Licensed beds who are not enrolled with the BH Contractor or MCO.	No change to definition.
<b>Psychiatric Per Diem Base Year</b>	the base year for the psychiatric per diem is FY04, using FY04 -403 cost reports as screened and updated as of March 10, 2006.	No change to definition.
<b>Quality and Performance Initiatives</b>	data-driven systemic efforts, anchored on measurement-driven activities, including Pay-for-Performance (P4P) initiatives, to improve performance of health-delivery systems that result in positive outcomes and cost-effective care.	No change to definition.
<b>Rate Year (RY)</b>	generally, the period beginning October 1 and ending the following September 30. RY18 will begin on October 1, 2017, and end on September 30, 2018.	No change to definition.

## In-State Acute Hospitals

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
<b>Rehabilitation Services</b>	services provided in an Acute Hospital that are medically necessary to be provided at a Hospital level of care, to a Member with medical need for an intensive rehabilitation program that requires a multidisciplinary coordinated team approach to upgrade his/her ability to function with a reasonable expectation of significant improvement that will be of practical value to the Member measured against his/her condition at the start of the rehabilitation program.	No change to definition.
<b>Rehabilitation Unit</b>	a distinct unit of rehabilitation beds in a Department of Public Health (DPH)-licensed Acute Hospital that provides comprehensive Rehabilitation Services to Members with appropriate medical needs.	No change to definition.
<b>Revenue Center</b>	a functioning unit of a Hospital that provides distinctive services to a patient for a charge.	No change to definition.
<b>Satellite Clinic</b>	a facility that operates under a Hospital's license, is subject to the fiscal, administrative, and clinical management of the Hospital, provides services to Members solely on an outpatient basis, is not located at the same site as the Hospital's inpatient facility, and demonstrates to EOHHS' satisfaction that it has CMS provider-based status in accordance with 42 CFR 413.65.	No change to definition
<b>School-Based Health Center (SBHC)</b>	a center located in a school setting which: (1) provides health services to MassHealth Members under the age of 21; (2) operates under a Hospital's license; (3) is subject to the fiscal, administrative, and clinical management of a Hospital Outpatient Department or HLHC; and (4) provides services to Members solely on an outpatient basis.	No change to definition
<b>Standard Payment Amount Per Discharge (SPAD)</b>	an inpatient payment methodology that was utilized in prior Acute Hospital RFAs. The SPAD was a Hospital-specific all-inclusive payment for the first twenty cumulative acute days of an inpatient hospitalization, which was the complete fee-for-service payment for an acute	No change to definition.

## In-State Acute Hospitals

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	episode of illness, excluding the additional payment of Outlier Days (as that term was defined in those prior Acute Hospital RFAs), Transfer Per Diems, Administrative Days and Physician Payments. This payment methodology was replaced by the APAD payment methodology beginning in RY15.	
<b>Third-Party Insurance</b>	any insurance, including Medicare, that is or may be liable to pay all or part of the Member's medical claims. Third-Party Insurance includes a MassHealth Member's own insurance.	No change to definition.
<b>Title XIX</b>	Title XIX of the Social Security Act, 42 U.S.C. § 1396 et seq., or any successor statute enacted into federal law for the same purposes as Title XIX.	No change to definition.
<b>Total Case Payment</b>	the sum, as determined by EOHHS, of the Pre-Adjusted APAD and, if applicable, any inpatient Hospital Outlier Payment, adjusted for Potentially Preventable Readmissions pursuant to <b>Section 8.1</b> (applying the 1 <sup>st</sup> RY18 Period method).	the sum, as determined by EOHHS, of the Pre-Adjusted APAD and, if applicable, any inpatient Hospital Outlier Payment, adjusted for Potentially Preventable Readmissions pursuant to <b>Section 8.1</b> (applying the 2 <sup>nd</sup> RY18 Period method).
<b>Total Transfer Payment Cap</b>	the Total Case Payment amount calculated by EOHHS utilizing the APAD and, if applicable, Outlier Payment methodology(ies) set forth in <b>Sections 5.B.1</b> and <b>5.B.2</b> for the period for which the Transferring Hospital is being paid on a Transfer per diem basis under <b>Section 5.B.3</b> (applying the 1 <sup>st</sup> RY18 Period method).	the Total Case Payment amount calculated by EOHHS utilizing the APAD and, if applicable, Outlier Payment methodology(ies) set forth in <b>Sections 5.B.1</b> and <b>5.B.2</b> for the period for which the Transferring Hospital is being paid on a Transfer per diem basis under <b>Section 5.B.3</b> (applying the 2 <sup>nd</sup> RY18 Period method).
<b>Transfer Patient</b>	any inpatient who meets any of the following criteria: (1) is transferred between Acute Hospitals; (2) is transferred between a DMH-Licensed Bed and a medical/surgical unit in an Acute Hospital; (3) is receiving treatment for a substance-related disorder or mental health-related services and whose enrollment status with the BH Contractor changes; (4) who becomes eligible for MassHealth after the date of admission and prior to the date of discharge; (5) is a Member who exhausts other insurance benefits after the date of	No change to definition.

## In-State Acute Hospitals

<u>Defined Term</u>	<u>Definition Applicable During 1<sup>st</sup> RY18 Period</u>	<u>Definition Applicable During 2<sup>nd</sup> RY18 Period</u>
	admission and prior to the date of discharge; (6) who transfers, after the date of admission, from the PCC Plan, Primary Care ACO or non-managed care to an MCO, or from an MCO to the PCC Plan, Primary Care ACO or non-managed care; or (7) has a primary diagnosis of a psychiatric disorder in a non-DMH-Licensed Bed.	
<b>Transferring Hospital</b>	an Acute Hospital that is being paid on a Transfer per diem basis, pursuant to <b>Section 5.B.3.</b>	No change to definition.
<b>Usual and Customary Charge</b>	a routine fee that Hospitals charge for Acute Inpatient and Outpatient Services, regardless of payer source.	No change to definition

# In-State Acute Hospitals

## Section 3: Eligible Applicants

- A.** In-state Acute Hospitals are eligible to apply for a Contract pursuant to this RFA if they:
- 1.** Operate under a Hospital license issued by the Massachusetts Department of Public Health (DPH);
  - 2.** Are Medicare-certified and participate in the Medicare program;
  - 3.** Have more than 50% of their beds licensed as medical/surgical, intensive care, coronary care, burn, pediatric (Level I or Level II), pediatric intensive care (Level III), maternal (Obstetrics), or neonatal intensive care beds (Level III), as determined by DPH; and
  - 4.** Currently utilize more than 50% of their beds exclusively as either medical/surgical, intensive care, coronary care, burn, pediatric (Level I or Level II), pediatric intensive care (Level III), maternal (Obstetrics), or neonatal intensive care beds (Level III), as determined by EOHHS.

In determining whether a Hospital satisfies the utilization requirement set forth in **Section 3.A.4**, EOHHS may evaluate, pursuant to an on-site audit or otherwise, a number of factors including, but not limited to, the average length of patient stay (see **Section 11.B.5**) at that Hospital.

- B.** The Hospital shall apply on behalf of all Inpatient Departments, Outpatient Departments, Emergency Departments and Satellite Clinics.
- C.** The Hospital is not permitted to apply on behalf of, or claim payment for services provided by, any other related clinics, Provider groups, or other entities, except as otherwise provided in **Sections 5.B.5** and **5.C**.
- D.** For public state-owned hospitals that contract under the RFA, EOHHS may waive these or any other requirements and may, at its discretion, agree to requirements and conditions of participation that differ from those set forth in this RFA to address specific situations. Any such requirements and conditions of participation may be documented in any resulting contract or may be specified through other such means as may be agreed to by the parties.

# In-State Acute Hospitals

## Section 4: Non-Covered Services, Program Initiatives and Ambulatory Services Not Covered by the RFA

### A. Non-Covered Services

EOHHS will reimburse MassHealth-participating Hospitals at the rates established in this RFA and accompanying Contract for all covered Inpatient, Outpatient, and Emergency Services provided to MassHealth Members *except* for the following:

#### 1. Behavioral Health Services for Members Enrolled with the BH Contractor

EOHHS' BH Contractor contracts with providers to form a network through which behavioral health services are delivered to MassHealth Members enrolled with the BH Contractor. Hospitals in the BH Contractor's network qualify for payments solely by the BH Contractor for services to Members enrolled with the BH Contractor, pursuant to contracts between the BH Contractor and each contracting Hospital.

Hospitals that are not in the BH Contractor's network (hereinafter "non-network Hospitals") do not qualify for MassHealth payment for Members enrolled with the BH Contractor who receive non-Emergency or Post-Stabilization Behavioral Health Services, except in accordance with a service-specific agreement with the BH Contractor.

Non-network Hospitals that provide medically necessary behavioral health Emergency and Post-Stabilization Services to Members enrolled with the BH Contractor qualify for payment solely by the BH Contractor. Such payment is available only if the Hospital complies with the BH Contractor's billing requirements and any applicable service authorization requirements that are permissible under federal law at 42 USC 1396u-2(b)(2), 42 CFR 438.114, and 42 CFR 422.113(c). In accordance with the preceding federal law, and with 42 CFR 422.214(b), if a Member enrolled with the BH Contractor receives inpatient or outpatient behavioral health Emergency and Post-Stabilization Services and the BH Contractor offers to pay the non-network Hospital a rate equal to that Hospital's applicable fee-for-service RFA rate less any amount for graduate medical education, the non-network Hospital must accept the BH Contractor's rate offer as payment in full for such behavioral health Emergency and Post-Stabilization Services. Nothing in this paragraph prohibits the BH Contractor from negotiating to pay any non-network Hospital at rates lower than the non-network Hospital's applicable fee-for-service RFA rate less any amount for graduate medical education for Behavioral Health Emergency and Post-Stabilization Services.

Hospitals are not entitled to any payment from EOHHS, and may not claim such reimbursement for any services that are BH Contractor-covered services or are otherwise reimbursable by the BH Contractor. Any such payment by EOHHS shall constitute an overpayment as defined in 130 CMR 450.235. Under such circumstances, EOHHS may also exercise its authority under 130 CMR 450.238 et seq. to impose sanctions for improper billing.

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## 2. MCO Services

- a. Hospitals that provide medically necessary MCO-covered services, including Emergency and Post-Stabilization Services, qualify for payment solely by the MCO for services to Members enrolled with the MCO pursuant to contracts between the MCO and each contracting Hospital.
- b. In accordance with 42 USC 1396u-2(b)(2), 42 CFR 438.114, 42 CFR 422.113(c), and 42 CFR 422.214(b), if an MCO offers to pay a non-network Hospital a rate equal to the Hospital's applicable fee-for-service RFA rate less any amount for graduate medical education for all Emergency and Post-Stabilization Services for all of the MCO's MassHealth enrollees, that non-network Hospital must accept the MCO's rate offer as payment in full. This requirement does not prohibit an MCO from negotiating to pay any non-network Hospital at rates lower than the non-network Hospital's applicable fee-for-service RFA rate less any amount for graduate medical education for Emergency and Post-Stabilization Services.
- c. For purposes of this **Section 4.A.2.c**, "MCO" refers to all MCOs as defined in **Section 2**, except Senior Care Organizations (SCOs), and One Care plans; and "non-Emergency services" means services that correspond to the types of Inpatient and Outpatient Services for which Hospitals are paid on a fee-for-service basis under **Sections 5.B.1 through 5.B.3, 5.B.6, 5.B.7, 5.C.1 and 5.D.7** of this RFA (subject to **Sections 8.1 through 8.3**, as applicable), with the exception of (1) Emergency and Post-Stabilization Services (which are governed by **Section 4.A.2.b.**, above) and (2) behavioral health services.

If a Hospital (whether network or non-network) provides non-Emergency services to the MCO's MassHealth enrollees, and the MCO offers to pay the Hospital a rate that is equivalent to the Hospital's applicable fee-for-service RFA rate for such non-Emergency services, that Hospital must accept the MCO's rate offer as payment in full. This requirement does not prohibit an MCO from negotiating to pay a Hospital at rates other than the Hospital's MassHealth-equivalent fee-for-service RFA rate for non-Emergency services to the MCO's MassHealth enrollees, pursuant to the MCO's contract with EOHHS.

- d. Hospitals are not entitled to any payment from EOHHS, and may not claim such reimbursement for any services that are MCO-covered services or are otherwise reimbursable by the MCO. Any such payment by EOHHS shall constitute an overpayment as defined in 130 CMR 450.235. Under such circumstances, EOHHS may also exercise its authority under 130 CMR 450.238 et seq. to impose sanctions for improper billing.

## 3. [RESERVED]

## 4. [RESERVED]

## 5. One Care Plan Services

Hospitals that provide medically necessary One Care plan-covered services, including Emergency and Post-Stabilization Services, qualify for payment solely by the One Care plan for services to Members enrolled with the One Care plan pursuant to contracts between the One Care plan and each contracting Hospital.

## **In-State Acute Hospitals**

If a One Care plan offers to pay a non-network Hospital a rate equal to the amount allowed under original Medicare less any amount for graduate medical education for all Emergency and Post-Stabilization Services for all of the One Care plan's enrollees, that non-network Hospital must accept the One Care plan's rate offer as payment in full. This requirement does not prohibit a One Care plan from negotiating to pay any non-network Hospital at rates lower than original Medicare less any amount for graduate medical education for Emergency and Post-Stabilization Services.

Hospitals are not entitled to any payment from EOHHS, and may not claim such reimbursement for any services that are One Care plan-covered services or are otherwise reimbursable by the One Care plan. Any such payment by EOHHS shall constitute an overpayment as defined in 130 CMR 450.235. Under such circumstances, EOHHS may also exercise its authority under 130 CMR 450.238 et seq. to impose sanctions for improper billing.

### **6. Air Ambulance Services**

In order to receive reimbursement for air ambulance services, Hospitals must have a separate contract with EOHHS for such services.

### **7. Non-Acute Units and Other Separately Licensed Units in Acute Hospitals**

Unless otherwise specified in this RFA, EOHHS shall not reimburse Acute Hospitals through this RFA and the accompanying contract for services provided to Members in Non-Acute Units, other than Rehabilitation Units, and any units which have a separate license, such as a skilled nursing unit, or any unit which is licensed to provide services other than Acute Hospital services as described in **Section 3.A.4.**

### **8. Claims for Outpatient Professional Services (Primary Care Payment Reform (PCPR))**

For any Hospital Outpatient Department, HLHC, or other Satellite Clinic site participating in the Primary Care Payment Reform (PCPR) initiative, outpatient Hospital-Based Physician services are governed by the site's executed MassHealth PCC Plan Provider contract or MCO provider agreement, and are not payable through this Acute Hospital RFA and Contract.

## **B. Program Initiatives**

### **1. Hospital Services Reimbursed through Other Contracts or Regulations**

The Commonwealth may institute special program initiatives, other than those in this RFA, which provide, through contract or regulation, alternative reimbursement methodologies for Hospital services or certain Hospital services. In such cases, payment for such services is made pursuant to the contract or regulations governing the special program initiative, and not through this RFA and resulting Contract.

### **2. Demonstration Projects**

It is an EOHHS priority to ensure that MassHealth Members receive quality medical care at sites of service that promote delivery of such medical care in a cost-effective and efficient manner. In

## **In-State Acute Hospitals**

furtherance of this objective, and subject to state and federal approval requirements, if any, EOHHS may, through separate contracts or through this RFA, institute demonstration projects with Hospitals to develop innovative approaches to delivery of services and payment for services. Such demonstration projects will be designed to focus on ensuring that Hospitals provide or facilitate the provision of quality services to MassHealth Members in a manner that is efficient and cost-effective and that may include alternative reimbursement methodologies for Hospital services or certain Hospital services.

### **3. MassHealth Drug List**

To help ensure consistency in medication regimens and services, prescribers should conform to the MassHealth Drug List (see [www.mass.gov/druglist](http://www.mass.gov/druglist)) whenever medically appropriate for inpatients, outpatients, and upon discharge.

### **4. MCO Offer of Contract**

For purposes of this **Section 4.B.4**, “MCO” refers to all MCOs as defined in **Section 2**, except Senior Care Organizations (SCOs) and One Care plans.

Effective as of October 1, 2017, all Hospitals that are parties to a Hospital Contract under this RFA must have a written contract with at least one MCO to participate as a network Hospital provider under the MCO’s provider network (and continue to maintain at least one such MCO network provider contract), if offered a network Hospital provider contract by the MCO(s).

## **C. Ambulatory Services Not Covered by the RFA**

The following services provided by Hospitals to MassHealth Members on an outpatient basis are not paid pursuant to the Acute Hospital RFA and Contract: ambulance services, psychiatric day treatment, early intervention, home health, adult day health and adult foster care, and outpatient covered drugs processed through the Pharmacy On-Line Processing System (POPS). Hospitals must continue to conform to the separate provider participation and reimbursement requirements for those MassHealth programs.

# In-State Acute Hospitals

## Section 5: Reimbursement System

### A. General Provisions

Acute Hospitals that participate in the MassHealth program under the terms of the Hospital Contract and its accompanying payment methodology shall accept payment at the rates established in this RFA as payment in full for services reimbursable by EOHHS that are rendered to MassHealth Members admitted as inpatients or treated as outpatients on or after October 1, 2017.

Non-acute units, other than Rehabilitation Units, and units within Hospitals that operate under separate licenses, such as skilled nursing units, will not be affected by this methodology.

Pursuant to M.G.L. c. 118E, §9, which describes pre-admission counseling for long-term care, Hospitals will undertake the following activities in connection with instructions that may be issued from time to time by EOHHS: (i) inform patients of the availability of EOHHS-approved counseling services; (ii) identify patients who might benefit from counseling; (iii) distribute informational materials to patients; and (iv) participate in training events organized by EOHHS.

A Hospital with a DMH-licensed inpatient psychiatric unit must accept into its DMH-licensed inpatient psychiatric unit all referrals of MassHealth members that meet the established admission criteria of the inpatient unit.

### B. Payment for Inpatient Services

A Hospital will be paid in accordance with **Section 5.B** for Inpatient Services.

Except as otherwise provided in **Sections 5.B.2 through 5.B.9** and in **Section 5.D.7**, fee-for-service payments to Hospitals for Inpatient Services provided to MassHealth Members not enrolled in an MCO will be an Adjudicated Payment Amount Per Discharge (APAD), calculated as described more fully in **Sections 5.B.1.a through f**, below.

For qualifying discharges, Hospitals may also be paid an Outlier Payment in addition to the APAD, under the conditions set forth in, and calculated as described in, **Section 5.B.2**.

Beginning with admissions in the 2<sup>nd</sup> RY18 Period, payment separate from the APAD may be made to Hospitals for LARC Devices under the conditions and as described in **Section 5.B.8**.

For Critical Access Hospitals, payment for Inpatient Services is in accordance with **Section 5.D.7**.

Payment for psychiatric services provided in DMH-Licensed Beds to MassHealth Members who are not served either through a contract between EOHHS and its BH Contractor or an MCO shall be made through an all-inclusive Psychiatric Per Diem (see **Section 5.B.4**).

Payment for psychiatric services to MassHealth Members who are not served either through a contract between EOHHS and its BH Contractor or an MCO, that are provided in beds that are not DMH-Licensed Beds shall be made at the Transfer Per Diem rate, capped at the Total Transfer Payment Cap (see **Sections 5.B.3 and 5.B.4**).

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For Inpatient Services paid on a per diem basis, MassHealth pays the lesser of (i) the per diem rate or (ii) 100% of the Hospital’s actual charge submitted.

Payment for physician services rendered by Hospital-Based Physicians will be made as described in **Section 5.B.5**.

## 1. Adjudicated Payment Amount per Discharge (APAD)

RY18 is bifurcated into the 1<sup>st</sup> RY18 Period and the 2<sup>nd</sup> RY18 Period for purposes of applying the APAD payment methodology. The APAD methodology is set forth in **Sections 5.B.1.a through 5.B.1.f**, below. The “**1<sup>st</sup> RY18 Period**” column applies to admissions occurring in the 1<sup>st</sup> RY18 Period, and incorporates applicable definitions in **Section 2** that apply to the 1<sup>st</sup> RY18 Period. The “**2<sup>nd</sup> RY18 Period**” column applies to admissions occurring in the 2<sup>nd</sup> RY18 Period, and incorporates applicable definitions in **Section 2** that apply to the 2<sup>nd</sup> RY18 Period.

1 <sup>st</sup> RY18 Period (for admissions occurring in the 1 <sup>st</sup> RY18 Period)	2 <sup>nd</sup> RY18 Period (for admissions occurring in the 2 <sup>nd</sup> RY18 Period)
<p><b>a. Overview</b></p> <p>The Adjudicated Payment Amount per Discharge (APAD) is a Hospital-specific, DRG-specific all-inclusive facility payment for an acute inpatient hospitalization from admission through discharge. The components that make up the APAD include (1) the Statewide Operating Standard per Discharge, adjusted for the Hospital’s Massachusetts-specific wage area index; (2) the Statewide Capital Standard per Discharge; (3) the discharge-specific MassHealth DRG Weight; and (4) a Hospital-specific adjustment, where applicable, for Potentially Preventable Readmissions (PPR) pursuant to <b>Section 8.1</b>. These components and the calculation of the APAD are described further below in <b>Sections 5.B.1.b through 5.B.1.f</b>. For components calculated based on data from all Hospitals, the calculation included data for all Hospitals that were operating as of September 1, 2016.</p>	<p><b>a. Overview</b></p> <p>The Adjudicated Payment Amount per Discharge (APAD) is a Hospital-specific, DRG-specific all-inclusive facility payment for an acute inpatient hospitalization from admission through discharge (exclusive of any separate payment for a LARC Device, if applicable, as described in <b>Section 5.B.8</b>, below). The components that make up the APAD include (1) the Statewide Operating Standard per Discharge, adjusted for the Hospital’s Massachusetts-specific wage area index; (2) the Statewide Capital Standard per Discharge; (3) the discharge-specific MassHealth DRG Weight; and (4) a Hospital-specific adjustment, where applicable, for Potentially Preventable Readmissions (PPR) pursuant to <b>Section 8.1</b>. These components and the calculation of the APAD are described further below in <b>Sections 5.B.1.b through 5.B.1.f</b>. For components calculated based on data from all Hospitals, the calculation included data for all Hospitals that were operating as of August 1, 2017.</p>
<p><b>b. Calculation of the Statewide Operating Standard per Discharge</b></p> <p><i>Primary sources of data:</i> In the development of the Statewide Operating Standard per Discharge applicable to the 1<sup>st</sup> RY18 Period, EOHHS used APAD Base Year all-payer costs and FY12 HDD as the primary</p>	<p><b>b. Calculation of the Statewide Operating Standard per Discharge</b></p> <p><i>Primary sources of data:</i> In the development of the Statewide Operating Standard per Discharge applicable to the 2<sup>nd</sup> RY18 Period, EOHHS used APAD Base Year all-payer costs and discharges and FY16 HDD as</p>

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1 <sup>st</sup> RY18 Period (for admissions occurring in the 1 <sup>st</sup> RY18 Period)	2 <sup>nd</sup> RY18 Period (for admissions occurring in the 2 <sup>nd</sup> RY18 Period)
<p>sources of data to develop operating costs per discharge.</p> <p><b>Calculating the average cost per discharge for each Hospital:</b> The Statewide Operating Standard per Discharge is based on the statewide average cost per discharge, which is derived from the actual statewide costs of providing Inpatient Services as reflected in the APAD Base Year cost report. The average cost per discharge for each Hospital was derived by dividing total inpatient Hospital costs by total inpatient Hospital discharges, omitting those costs and discharges from Excluded Units. Routine outpatient costs associated with admissions from the Emergency Department and routine and ancillary outpatient costs resulting from admissions from observation status were included. The cost centers which are identified as the supervision component of physician compensation and other direct physician costs were included; professional services were excluded. All other medical and non-medical patient care-related staff expenses were included.</p> <p>Capital costs and direct medical education costs were excluded from the calculation of the statewide average cost per discharge. Malpractice and organ acquisition costs were included.</p> <p><b>Wage area and casemix adjustments to calculate each hospital's standardized costs per discharge:</b> The labor portion of the average cost per discharge for each Hospital was adjusted by the Hospital's Massachusetts-specific wage area index, and the labor and non-labor portions were then adjusted by the Hospital-specific FY12 all-payer APR-DRG Version 33 Casemix Index that was determined by using FY12 discharges, APR-DRG version 33 of the 3M grouper and MassHealth DRG Weights applicable to the 1<sup>st</sup> RY18 Period. Massachusetts Hospitals' wages and hours were determined based on CMS's FY_2017_April_21_2016_S3_OCCMIX_PUF_04202016.xlsx file, downloaded May 16, 2016 from the CMS web site at <a href="http://www.cms.hhs.gov">www.cms.hhs.gov</a>.</p> <p>Wage areas were assigned according to the same CMS file unless redesignated in a written decision from CMS to the Hospital provided to EOHHS by May 11, 2016. Each area's average hourly wage was then divided by the statewide average hourly wage to determine the area's wage index. These steps result in</p>	<p>the primary sources of data to develop operating costs per discharge.</p> <p><b>Calculating the average cost per discharge for each Hospital:</b> The Statewide Operating Standard per Discharge is based on the statewide average cost per discharge, which is derived from the actual statewide costs of providing Inpatient Services as reflected in the APAD Base Year cost report. The average cost per discharge for each Hospital was derived by dividing total inpatient Hospital costs by total inpatient Hospital discharges, omitting those costs and discharges from Excluded Units and costs associated with postpartum LARC Devices. Routine outpatient costs associated with admissions from the Emergency Department and routine and ancillary outpatient costs resulting from admissions from observation status were included. The cost centers which are identified as the supervision component of physician compensation and other direct physician costs were included; professional services were excluded. All other medical and non-medical patient care-related staff expenses were included.</p> <p>Capital costs and direct medical education costs were excluded from the calculation of the statewide average cost per discharge. Malpractice and organ acquisition costs were included.</p> <p><b>Wage area and casemix adjustments to calculate each hospital's standardized costs per discharge:</b> The labor portion of the average cost per discharge for each Hospital was adjusted by the Hospital's Massachusetts-specific wage area index, and the labor and non-labor portions were then adjusted by the Hospital-specific FY16 all-payer APR-DRG Version 34 Casemix Index that was determined by using FY16 discharges, APR-DRG version 34 of the 3M grouper and MassHealth DRG Weights applicable to the 2<sup>nd</sup> RY18 Period. Massachusetts Hospitals' wages and hours were determined based on CMS's FY2018 April-28-17-Wage Index_PUFs(5) zip file, downloaded May 1, 2017 from the CMS web site at <a href="http://www.cms.hhs.gov">www.cms.hhs.gov</a>.</p> <p>Wage areas were assigned according to the same CMS file unless redesignated in a written decision from CMS to the Hospital provided to EOHHS by May 12, 2017. Each area's average hourly wage was then divided by the statewide average hourly wage to</p>

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1 <sup>st</sup> RY18 Period (for admissions occurring in the 1 <sup>st</sup> RY18 Period)	2 <sup>nd</sup> RY18 Period (for admissions occurring in the 2 <sup>nd</sup> RY18 Period)
<p>the calculation of the standardized costs per discharge for each Hospital.</p> <p><b>Determining the efficiency standard:</b> All Hospitals were then ranked from lowest to highest with respect to their standardized costs per discharge; a cumulative frequency of FY15 MassHealth discharges for the Hospitals was produced from MMIS claims data on file as of March 31, 2016, with a status of adjudicated and paid and for which MassHealth was the primary payer. Discharges from Excluded Units were omitted. The efficiency standard was established at the cost per discharge corresponding to the position on the cumulative frequency of discharges that represents 65% of the total number of statewide discharges in the MMIS. The efficiency standard applicable to the 1<sup>st</sup> RY18 Period is \$10,845.66.</p> <p><b>Final calculation of Statewide Operating Standard per Discharge:</b> The Statewide Operating Standard per Discharge was then determined by multiplying (a) the weighted mean of the standardized cost per discharge, as limited by the efficiency standard; by (b) the outlier adjustment factor of 91.5%; and by (c) the Inflation Factors for Operating Costs between RY12 and RY17. The resulting Statewide Operating Standard per Discharge applicable to the 1<sup>st</sup> RY18 Period is \$9,577.06.</p>	<p>determine the area’s wage index. These steps result in the calculation of the standardized costs per discharge for each Hospital.</p> <p><b>Determining the efficiency standard:</b> All Hospitals were then ranked from lowest to highest with respect to their standardized costs per discharge; a cumulative frequency of FY16 MassHealth discharges for the Hospitals was produced from MMIS claims data on file as of May 15, 2017, with a status of adjudicated and paid and for which MassHealth was the primary payer. Discharges from Excluded Units were omitted. The efficiency standard was established at the cost per discharge corresponding to the position on the cumulative frequency of discharges that represents 67% of the total number of statewide discharges in the MMIS. The efficiency standard applicable to the 2<sup>nd</sup> RY18 Period is \$13,127.31.</p> <p><b>Final calculation of Statewide Operating Standard per Discharge:</b> The Statewide Operating Standard per Discharge was then determined by multiplying (a) the weighted mean of the standardized cost per discharge, as limited by the efficiency standard; by (b) the outlier adjustment factor of 93.0%; and by (c) the Inflation Factors for Operating Costs between RY16 and RY18. The resulting Statewide Operating Standard per Discharge applicable to the 2<sup>nd</sup> RY18 Period is \$10,998.11.</p>
<p><b>c. Calculation of the Statewide Capital Standard per Discharge</b></p> <p><b>Primary sources of data:</b> In the development of the Statewide Capital Standard per Discharge applicable to the 1<sup>st</sup> RY18 Period, EOHHS used APAD Base Year all-payer costs and FY12 HDD as the primary sources of data to develop capital costs per discharge.</p> <p><b>Calculating each hospital’s capital cost per discharge:</b> For each Hospital, the total inpatient capital costs include building and fixed equipment depreciation, major moveable equipment depreciation, major moveable equipment, and long- and short-term interest. Total capital costs are allocated to Inpatient Services through the square-footage-based allocation formula of the FY12 -403 cost report. Capital costs for Excluded Units were omitted to derive net inpatient</p>	<p><b>c. Calculation of the Statewide Capital Standard per Discharge</b></p> <p><b>Primary sources of data:</b> In the development of the Statewide Capital Standard per Discharge applicable to the 2<sup>nd</sup> RY18 Period, EOHHS used APAD Base Year all-payer costs and discharges and FY16 HDD as the primary sources of data to develop capital costs per discharge.</p> <p><b>Calculating each hospital’s capital cost per discharge:</b> For each Hospital, the total inpatient capital costs include the Building and Fixtures and Movable Equipment categories reported in the FY16 Massachusetts Hospital Cost report. Total capital costs for Buildings and Fixtures are allocated to inpatient services through the square-footage based allocation formula, and total capital costs for Movable Equipment</p>

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1 <sup>st</sup> RY18 Period (for admissions occurring in the 1 <sup>st</sup> RY18 Period)	2 <sup>nd</sup> RY18 Period (for admissions occurring in the 2 <sup>nd</sup> RY18 Period)
<p>capital costs. For each Hospital, the capital cost per discharge was calculated by dividing the Hospital's total net inpatient capital costs by the Hospital's FY12 total inpatient hospital discharges net of Excluded Unit discharges.</p> <p><b>Determining the casemix-adjusted efficiency standard:</b> The casemix-adjusted capital cost per discharge was determined by (a) dividing the cost per discharge by the Hospital-specific FY12 All-Payer APR-DRG version 33 Casemix Index; (b) sorting these adjusted costs in ascending order; and (c) producing a cumulative frequency of FY15 MassHealth discharges from MMIS claims data on file as of March 31, 2016, with a status of adjudicated and paid and for which MassHealth was the primary payer. Discharges from Excluded Units were omitted. The casemix-adjusted efficiency standard was established at the capital cost per discharge corresponding to the position on the cumulative frequency of discharges that represents 50% of the total number of discharges. The efficiency standard applicable to the 1<sup>st</sup> RY18 Period is \$672.32.</p> <p><b>Calculation of statewide weighted average capital cost per discharge:</b> Each Hospital's capital cost per discharge was then held to the lower of its capital cost per discharge or the casemix-adjusted efficiency standard, to arrive at a capped capital cost per discharge. Each Hospital's capped capital cost per discharge was then multiplied by the Hospital's FY15 number of MassHealth discharges. The product of the capped capital cost per discharge and the number of MassHealth discharges for each Hospital was then summed and divided by the total number of MassHealth discharges statewide, to arrive at a statewide weighted average capital cost per discharge.</p> <p><b>Calculation of final Statewide Capital Standard per Discharge:</b> The statewide weighted average capital cost per discharge was then updated by the Inflation Factors for Capital Costs between RY12 and RY17. The resulting Statewide Capital Standard per Discharge for the 1<sup>st</sup> RY18 Period is \$629.62.</p>	<p>are allocated to inpatient services through the dollar value based allocation formula, of the FY16 Massachusetts Hospital Cost Report. Capital costs for Excluded Units were omitted to derive net inpatient capital costs. For each Hospital, the capital cost per discharge was calculated by dividing the Hospital's total net inpatient capital costs by the Hospital's FY16 total inpatient hospital discharges net of Excluded Unit discharges.</p> <p><b>Determining the casemix-adjusted efficiency standard:</b> The casemix-adjusted capital cost per discharge was determined by (a) dividing the cost per discharge by the Hospital-specific FY16 All-Payer APR-DRG version 34 Casemix Index; (b) sorting these adjusted costs in ascending order; and (c) producing a cumulative frequency of FY16 MassHealth discharges from MMIS claims data on file as of May 15, 2017, with a status of adjudicated and paid and for which MassHealth was the primary payer. Discharges from Excluded Units were omitted. The casemix-adjusted efficiency standard was established at the capital cost per discharge corresponding to the position on the cumulative frequency of discharges that represents 67% of the total number of discharges. The efficiency standard applicable to the 2<sup>nd</sup> RY18 Period is \$903.69.</p> <p><b>Calculation of statewide weighted average capital cost per discharge:</b> Each Hospital's capital cost per discharge was then held to the lower of its capital cost per discharge or the casemix-adjusted efficiency standard, to arrive at a capped capital cost per discharge. Each Hospital's capped capital cost per discharge was then multiplied by the Hospital's FY16 number of MassHealth discharges. The product of the capped capital cost per discharge and the number of MassHealth discharges for each Hospital was then summed and divided by the total number of MassHealth discharges statewide, to arrive at a statewide weighted average capital cost per discharge.</p> <p><b>Calculation of final Statewide Capital Standard per Discharge:</b> The statewide weighted average capital cost per discharge was then updated by the Inflation Factors for Capital Costs between RY16 and RY18. The resulting Statewide Capital Standard per Discharge for the 2<sup>nd</sup> RY18 Period is \$774.99</p>

## In-State Acute Hospitals

1 <sup>st</sup> RY18 Period (for admissions occurring in the 1 <sup>st</sup> RY18 Period)	2 <sup>nd</sup> RY18 Period (for admissions occurring in the 2 <sup>nd</sup> RY18 Period)
<p><b>d. Determination of MassHealth DRG Weight</b></p> <p>The MassHealth DRG Weight is the MassHealth relative weight developed by EOHHS for each unique combination of APR-DRG and severity of illness (SOI). The discharge-specific MassHealth DRG Weight is assigned to the discharge based on information contained in a properly submitted inpatient Hospital claim and determined using the 3M APR-DRG grouper version 33 and Massachusetts weights (which for the 1<sup>st</sup> RY18 Period are unchanged from RY17; see <b>Chart C-1 to Appendix C-1</b> for the MassHealth DRG Weights that apply to the 1<sup>st</sup> RY18 Period).</p>	<p><b>d. Determination of MassHealth DRG Weight</b></p> <p>The MassHealth DRG Weight is the MassHealth relative weight developed by EOHHS for each unique combination of APR-DRG and severity of illness (SOI). The discharge-specific MassHealth DRG Weight is assigned to the discharge based on information contained in a properly submitted inpatient Hospital claim and determined using the 3M APR-DRG grouper version 34 and Massachusetts weights (see <b>Chart C-2 to Appendix C-2</b> for the MassHealth DRG Weights that apply to the 2<sup>nd</sup> RY18 Period).</p>
<p><b>e. Potentially Preventable Readmissions (PPR).</b></p> <p>See <b>Section 8.1</b> for the calculation of any PPR adjustment, utilizing the PPR methodology applicable to the 1<sup>st</sup> RY18 Period.</p>	<p><b>e. Potentially Preventable Readmissions (PPR).</b></p> <p>See <b>Section 8.1</b> for the calculation of any PPR adjustment, utilizing the PPR methodology applicable to the 2<sup>nd</sup> RY18 Period.</p>
<p><b>f. Calculation of the APAD</b></p> <p>Each APAD is determined by the following steps: (1) multiplying the labor portion of the Statewide Operating Standard per Discharge by the Hospital’s Massachusetts-specific wage area index, (2) adding this amount to the non-labor portion of the Statewide Operating Standard per Discharge to determine the Hospital’s Wage Adjusted Operating Standard per Discharge, (3) adding the Wage-Adjusted Operating Standard per Discharge to the Statewide Capital Standard per Discharge (which result is referred to as the “<b>APAD Base Payment</b>”), (4) multiplying the APAD Base Payment by the discharge-specific MassHealth DRG Weight, and (5) then adjusting that result, where applicable, for Potentially Preventable Readmissions under <b>Section 8.1</b>.</p> <p>For purposes of step (1), above, the Hospital’s Massachusetts-specific wage area index which is multiplied by the labor portion of the Statewide Operating Standard per Discharge was derived as specified in <b>Section 5.B.1.b</b>, except that for this purpose, Baystate Medical Center’s wages and hours were also included in the Springfield area index.</p>	<p><b>f. Calculation of the APAD</b></p> <p>Each APAD is determined by the following steps: (1) multiplying the labor portion of the Statewide Operating Standard per Discharge by the Hospital’s Massachusetts-specific wage area index, (2) adding this amount to the non-labor portion of the Statewide Operating Standard per Discharge to determine the Hospital’s Wage Adjusted Operating Standard per Discharge, (3) adding the Wage-Adjusted Operating Standard per Discharge to the Statewide Capital Standard per Discharge (which result is referred to as the “<b>APAD Base Payment</b>”), (4) multiplying the APAD Base Payment by the discharge-specific MassHealth DRG Weight, and (5) then adjusting that result, where applicable, for Potentially Preventable Readmissions under <b>Section 8.1</b>.</p> <p>For purposes of step (1), above, the Hospital’s Massachusetts-specific wage area index which is multiplied by the labor portion of the Statewide Operating Standard per Discharge was derived as specified in <b>Section 5.B.1.b</b>, except that for this purpose, Baystate Medical Center’s wages and hours were also included in the Springfield area index.</p>

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1 <sup>st</sup> RY18 Period (for admissions occurring in the 1 <sup>st</sup> RY18 Period)	2 <sup>nd</sup> RY18 Period (for admissions occurring in the 2 <sup>nd</sup> RY18 Period)
	<p>For discharges from Freestanding Pediatric Acute Hospitals for which the MassHealth DRG Weight assigned to the discharge is 3.5 or greater, the APAD Base Payment will be adjusted to include an additional 45% for purposes of step (4), above, in the calculation of the APAD.</p>

The following is an illustrative example of the calculation of the Total Case Payment for a standard APAD claim that does not also qualify for an Outlier Payment under **Section 5.B.2**, below. The example **assumes the 2<sup>nd</sup> RY18 Period** applies although, as noted, values are for demonstration purposes only.

Table 1: Standard APAD claim -2nd RY18 Period			
(Values are for demonstration purposes only)			
<b>Hospital:</b>	Sample Hospital		
<b>DRG:</b>	203, Chest Pain. Severity of Illness (SOI) = 2.		
Line	Description	Value	Calculation or Source
1	Statewide Operating Standard per Discharge	\$10,998.11	RY18 RFA (2nd RY18 Period)
2	Hospital wage area	1.0324	Varies by hospital, determined annually
3	Labor Factor	0.69587	Determined annually
4	Wage Adjusted Operating Standard per Discharge	\$11,246.08	(Line 1 * Line 2 * Line 3) + (Line 1 * (1.0-Line 3))
5	Statewide Capital Standard per Discharge	\$774.99	RY18 RFA (2nd RY18 Period)
6	APAD Base Payment	\$12,021.07	Line 4 + Line 5
7	MassHealth DRG Weight	0.3598	Appendix C-2, Chart C-2
8	Pre-Adjusted APAD	\$4,325.18	Line 6 * Line 7
9	Potentially Preventable Readmission adjustment	-1.200%	Varies by Hospital, RY18 RFA (2nd RY18 Period)
<b>10</b>	<b>Total Case Payment = Adjudicated Payment Amount per Discharge (APAD)</b>	<b>\$4,273.28</b>	Line 8 * (100% + Line 9)

When groupers are changed and modernized, it may be necessary to adjust the base payment rate so that overall payment levels are not affected solely by the grouper change. EOHHS may make adjustments to assure budget neutrality for such grouper changes. EOHHS reserves the right to update to a new grouper.

## 2. Outlier Payments

RY18 is bifurcated into the 1<sup>st</sup> RY18 Period and the 2<sup>nd</sup> RY18 Period for purposes of applying the Outlier Payment methodology. The Outlier Payment methodology is set forth in **Section 5.B.2** below; provided that (i) for admissions in the 1<sup>st</sup> RY18 Period, applicable definitions from **Section 2** that apply to the “1<sup>st</sup> RY18 Period” are incorporated, (ii) for admissions in the 2<sup>nd</sup> RY18 Period, applicable definitions from **Section 2** that apply to the “2<sup>nd</sup> RY18 Period” are incorporated; and (iii) all references in **Section 5.B.2** to the APAD methodology (or any component of the APAD methodology) shall refer to the APAD (or APAD component) as calculated utilizing the methodology that applies to the specific admission (1<sup>st</sup> RY18 Period methodology for admissions in the 1<sup>st</sup> RY18 Period, or 2<sup>nd</sup> RY18 Period methodology for admissions in the 2<sup>nd</sup> RY18 Period).

A Hospital qualifies for a discharge-specific Outlier Payment in addition to the APAD if **all** of the following conditions are met:

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- a. The Hospital's Discharge-Specific Case Cost exceeds the Discharge-Specific Outlier Threshold for that discharge;
- b. The Hospital continues to fulfill its discharge planning duties as required in MassHealth regulations or other written statements of policy;
- c. The patient is not a patient in a DMH-Licensed Bed for any part of the discharge; and
- d. The patient is not a patient in an Excluded Unit within an Acute Hospital.

If a Hospital qualifies for an Outlier Payment, the Outlier Payment will equal the product of the Marginal Cost Factor and the amount by which the Discharge-Specific Case Cost exceeds the Discharge-Specific Outlier Threshold. In such a case, the adjustment under **Section 8.1** for Potentially Preventable Readmissions (PPR), if applicable, is applied against the sum of the Pre-Adjusted APAD and the Outlier Payment.

The following is an illustrative example of the calculation of the Total Case Payment for a claim involving an Outlier Payment. The example **assumes the 2<sup>nd</sup> RY18 Period applies**, although as noted, values are for demonstration purposes only.

Table 2: Claim with Outlier Payment-2nd RY18 Period			
(Values are for demonstration purposes only)			
Hospital:	Sample Hospital		
DRG:	203, Chest Pain. Severity of Illness (SOI) = 2.		
Line	Description	Value	Calculation or Source
1	Pre-Adjusted APAD	\$4,325.18	Table 1, Line 8, above
2	Allowed charges	\$50,000.00	Determined from claim
3	Hospital Cost-to-Charge Ratio	72.00%	FY16 Massachusetts Hospital Cost Report
4	Discharge-Specific Case Cost	\$36,000.00	Line 2 * Line 3
5	Fixed Outlier Threshold	\$25,500	RY18 RFA (2nd RY18 Period)
6	Discharge-Specific Outlier Threshold	\$29,825.18	Line 1 + Line 5
7	Does Discharge-Specific Case Cost exceed Discharge-Specific Outlier Threshold?	TRUE	Is Line 4 > Line 6
8	Marginal Cost Factor	80%	Determined annually
9	If Line 7 = True, then Outlier Payment is due		
	Outlier Payment	\$4,939.86	(Line 4 - Line 6) * Line 8
10	Pre-Adjusted APAD + Outlier Payment	\$9,265.04	Line 1 + Line 9
11	Potentially Preventable Readmission adjustment	-1.200%	Varies by hospital, RY18 RFA (2nd RY18 Period)
12	<b>Total Case Payment</b>	<b>\$9,153.86</b>	<b>Line 10 * (100% + Line 11)</b>

### 3. Transfer Per Diem Payments

RY18 is bifurcated into the 1<sup>st</sup> RY18 Period and the 2<sup>nd</sup> RY18 Period for purposes of applying the Transfer per Diem payment methodology. The Transfer per Diem payment methodology is set forth in **Section 5.B.3** below; provided that (i) for admissions in the 1<sup>st</sup> RY18 Period that are paid on a transfer per diem basis, applicable definitions from **Section 2** that apply to the 1<sup>st</sup> RY18 Period are incorporated; (ii) for admissions in the 2<sup>nd</sup> RY18 Period that are paid on a transfer per diem basis, applicable definitions from **Section 2** that apply to the 2<sup>nd</sup> RY18 Period are incorporated; (iii) all references in **Section 5.B.3** to the APAD and Outlier Payment methodologies in **Sections 5.B.1** and **5.B.2** shall refer to the applicable methodology that applies to the specific admission (1<sup>st</sup> RY18 Period methodology for admissions in the 1<sup>st</sup>

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RY18 Period, and 2<sup>nd</sup> RY18 Period methodology for admissions in the 2<sup>nd</sup> RY18 Period); and (iv) any other differences in the Transfer per Diem methodology as between the 1<sup>st</sup> RY18 Period and the 2<sup>nd</sup> RY18 Period, as applicable, are specified below.

### a. Transfer Between Hospitals

In general, a Hospital that transfers a patient to another Acute Hospital will be paid on a transfer per diem basis, capped at the Hospital's Total Transfer Payment Cap.

In general, the Hospital that is receiving the patient will be paid (a) on a per-discharge basis in accordance with the APAD, and, if applicable, Outlier Payment methodology(ies) specified in **Section 5.B.1** and **5.B.2**, if the patient is actually discharged from that Hospital; or (b) on a transfer per diem basis, capped at the Hospital's Total Transfer Payment Cap, if the Hospital transfers the patient to another Acute Hospital or back to the Acute Hospital from which it received the patient.

The **payment per day for Transfer Patients (the Transfer per diem)** shall equal the following. For admissions in the 1<sup>st</sup> RY18 Period that are paid on a transfer per diem basis, the "1<sup>st</sup> RY18 Period" column applies. For admissions in the 2<sup>nd</sup> RY18 Period that are paid on a transfer per diem basis, the "2<sup>nd</sup> RY18 Period" column applies.

1 <sup>st</sup> RY18 Period (for admissions occurring in the 1 <sup>st</sup> RY18 Period)	2 <sup>nd</sup> RY18 Period (for admissions occurring in the 2 <sup>nd</sup> RY18 Period)
<p>The 1<sup>st</sup> RY18 Period payment per day for Transfer Patients (the Transfer per diem) shall equal the Transferring Hospital's Total Case Payment amount, as determined by EOHHS, divided by the applicable DRG-specific mean all-payer length of stay from the APR-DRG version 33 Massachusetts-specific weight file (<b>Chart C-1 to Appendix C-1</b>). For purposes of this calculation, the Total Case Payment amount is calculated utilizing the 1<sup>st</sup> RY18 Period APAD, and, if applicable, Outlier Payment methodology(ies) set forth in <b>Sections 5.B.1 and 5.B.2</b> for the period for which the Transferring Hospital is being paid on a Transfer per diem basis pursuant to this <b>Section 5.B.3</b>. In all cases, payment on a Transfer per diem basis will be capped at the Transferring Hospital's Total Transfer Payment Cap. This methodology applies to all subsections of <b>Section 5.B.3</b> for admissions in the 1<sup>st</sup> RY18 Period that are paid on a transfer per diem basis.</p>	<p>The 2<sup>nd</sup> RY18 Period payment per day for Transfer Patients (the Transfer per diem) shall equal the Transferring Hospital's Total Case Payment amount, as determined by EOHHS, divided by the applicable DRG-specific mean all-payer length of stay from the APR-DRG version 34 Massachusetts-specific weight file (<b>Chart C-2 to Appendix C-2</b>). For purposes of this calculation, the Total Case Payment amount is calculated utilizing the 2<sup>nd</sup> RY18 Period APAD, and, if applicable, Outlier Payment methodology(ies) set forth in <b>Sections 5.B.1 and 5.B.2</b> for the period for which the Transferring Hospital is being paid on a Transfer per diem basis pursuant to this <b>Section 5.B.3</b>. In all cases, payment on a Transfer per diem basis will be capped at the Transferring Hospital's Total Transfer Payment Cap. This methodology applies to all subsections of <b>Section 5.B.3</b>, for admissions in the 2<sup>nd</sup> RY18 Period that are paid on a transfer per diem basis.</p>

See **Table 3: Claim with Transfer (APAD only)** and **Table 4: Claim with Transfer (APAD and Outlier)**, respectively, for illustrative examples of the calculation of the Transfer per diem, Total Transfer Payment Cap, and corresponding Total Transfer Case Payment, that would apply to the case. These illustrative examples apply to all subsections of **Section 5.B.3**. The examples **assume that the 2<sup>nd</sup> RY18 Period applies**, although as noted, values are for demonstration purposes only.

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**Table 3: Claim with Transfer (APAD only)-2nd RY18 Period**

(Values are for demonstration purposes only)

<b>Hospital:</b>	<b>Sample Hospital</b>		
<b>DRG:</b>	<b>203, Chest Pain. Severity of Illness (SOI) = 2.</b>		
<b>Line</b>	<b>Description</b>	<b>Value</b>	<b>Calculation or Source</b>
1	APAD (Total Case Payment amount)	\$4,273.28	Table 1, Line 10, above
2	Patient length of stay (# of days)	2	Determined from claim
3	Mean all-payer length of stay for DRG 203	2.08	Appendix C-2, Chart C-2
4	Transfer per diem	\$2,054.46	Line 1 / Line 3
5	Transfer per diem x Patient length of stay (# of days)	\$4,108.92	Line 4 * Line 2
6	Total Transfer Payment Cap	\$4,273.28	Table 3, Line 1
7	<b>Total Transfer Case Payment</b>	<b>\$4,108.92</b>	<b>Lower of Line 5 or Line 6</b>

**Table 4: Claim with Transfer (APAD and Outlier)-2nd RY18 Period**

(Values are for demonstration purposes only)

<b>Hospital:</b>	<b>Sample Hospital</b>		
<b>DRG:</b>	<b>203, Chest Pain. Severity of Illness (SOI) = 2.</b>		
<b>Line</b>	<b>Description</b>	<b>Value</b>	<b>Calculation or Source</b>
1	Total Case Payment amount (Claim with Outlier Payment)	\$9,153.86	Table 2, Line 12 above
2	Patient length of stay (# of days)	2	Determined from claim
3	Mean all-payer length of stay for DRG 203	2.08	Appendix C-2, Chart C-2
4	Transfer per diem	\$4,400.89	Line 1 / Line 3
5	Transfer per diem x Patient length of stay (# of days)	\$8,801.78	Line 4 * Line 2
6	Total Transfer Payment Cap	\$9,153.86	Table 4, Line 1
7	<b>Total Transfer Case Payment</b>	<b>\$8,801.78</b>	<b>Lower of Line 5 or Line 6</b>

## b. Transfers within a Hospital

In general, a transfer within a Hospital is not considered a discharge. Consequently, in most cases a transfer between units within a Hospital will be reimbursed on a Transfer per diem basis capped at the Hospital's Total Transfer Payment Cap. This section outlines reimbursement under some specific transfer circumstances.

### (1) Transfer to/from a Non-Acute, Skilled Nursing, or other Separately Licensed Unit within the Same Hospital

If a patient is transferred from an acute bed to a Non-Acute bed, except for a DMH-licensed bed or any separately licensed unit in the same Hospital, the transfer is considered a discharge. EOHHS will pay the Hospital's discharge specific APAD for the portion of the stay that preceded the patient's discharge to any such unit.

### (2) MassHealth Payments for Newly Eligible Members, Members Who Change Enrollment in the PCC Plan, Primary Care ACO, Fee-for-Service or MCO during a Hospital Stay; or in the Event of Exhaustion of Other Insurance

When a patient becomes MassHealth-eligible, becomes eligible for managed care and is enrolled in an MCO or becomes ineligible for managed care and disenrolled from an MCO during the course of a Hospital stay, or exhausts other insurance benefits after the date of admission and prior to the date of discharge, the MassHealth-covered portion of the acute stay will be paid at the Transfer per diem rate, up to the Hospital's Total Transfer Payment Cap, or, if the patient is at the Administrative Day level of care, at the AD per diem rate, in accordance with **Section 5.B.6**.

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### **(3) Admissions Following Outpatient Surgery or Procedure**

If a patient who requires Inpatient Hospital Services is admitted following an outpatient surgery or procedure at the Hospital, the Hospital shall be paid at the Transfer per diem rate up to the Hospital's Total Transfer Payment Cap.

### **(4) Transfer between a DMH-Licensed Bed and Any Other Bed within the Same Hospital**

Reimbursement for a transfer between a DMH-Licensed Bed and any other bed within a Hospital will vary depending on the circumstances involved, such as managed care status, BH network or non-network Hospital, or the type of service provided. See also **Section 5.B.3.b(5)**.

When a Member who is not enrolled with the BH Contractor transfers between a DMH-Licensed Bed and a non-DMH-Licensed Bed in the same Hospital during a single admission, EOHHS will pay the Hospital at the Transfer per diem rate capped at the Hospital's Total Transfer Payment Cap for the non-DMH-Licensed Bed portion of the stay, and at the psychiatric per diem rate for the DMH-Licensed Bed portion of the stay (see **Section 5.B.4**).

If the Member is enrolled with the BH Contractor, EOHHS will pay for the non-DMH-Licensed Bed portion of the stay, and only if it is for medical (i.e., non-psychiatric/substance-related disorder) treatment. In that case, such payment will be at the Transfer per diem rate capped at the Total Transfer Payment Cap.

### **(5) Change of BH Managed Care Status during a Behavioral Health Hospitalization**

#### **(a) Payments to Hospitals without Network Provider Agreements with EOHHS' BH Contractor**

When a Member is enrolled with the BH Contractor during an Emergency or Post-Stabilization behavioral health admission at a non-network Hospital, the portion of the Hospital stay during which the Member is enrolled with the BH Contractor shall be paid by the BH Contractor provided that the Hospital complies with the BH Contractor's billing requirements and any applicable service authorization requirements that are permissible under federal law at 42 U.S.C. 1396u-2(b)(2), 42 CFR 438.114, and 42 CFR 422.113(c).

In accordance with the preceding federal law, and with 42 CFR 422.214(b), if the BH Contractor offers to pay the Hospital a rate equal to the applicable RFA rate less any amount for graduate medical education for Emergency and Post-Stabilization psychiatric or substance-related disorder services, the Hospital must accept the BH Contractor's rate offer as payment in full for all such Members.

This requirement does not prohibit the BH Contractor from negotiating to pay at a lower rate than the non-network Hospital's applicable RFA rate less any amount for graduate medical education for all such Emergency and Post-Stabilization psychiatric or substance abuse-related disorder services provided at a non-network hospital.

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The portion of the Hospital stay during which the Member was not enrolled with the BH Contractor will be paid by EOHHS at the psychiatric per diem rate for psychiatric services in a DMH-Licensed Bed or at the Transfer per diem rate, capped at the Total Transfer Payment Cap, for substance-related disorder services and for psychiatric services in a non-DMH-Licensed Bed.

### (b) Payments to Hospitals that are in the BH Contractor's Provider Network

When a Member is enrolled with the BH Contractor during an emergency or non-emergency behavioral health Hospital admission, the portion of the Hospital stay during which the Member was enrolled with the BH Contractor shall be paid by the BH Contractor at the rates agreed upon by the Hospital and the BH Contractor provided that the Hospital complies with the BH Contractor's service authorization and billing policies and procedures.

The portion of the Hospital stay during which the Member was not enrolled with the BH Contractor will be paid by EOHHS at the Psychiatric Per Diem rate for psychiatric services in a DMH-Licensed Bed; or at the Transfer per diem rate, capped at the Total Transfer Payment Cap, for substance-related disorder services and for psychiatric services in a non-DMH-Licensed Bed.

## 4. Payments for Psychiatric Services

Services provided to MassHealth Members in DMH-Licensed Beds who are not enrolled with the BH Contractor or an MCO shall be paid through an all-inclusive psychiatric per diem, as described below. RY18 is bifurcated into the 1<sup>st</sup> RY18 Period and the 2<sup>nd</sup> RY18 Period for purposes of applying this psychiatric per diem payment methodology. Differences in the methodology and the final per diem rate that applies to dates of service in the 1<sup>st</sup> RY18 Period and the 2<sup>nd</sup> RY18 Period, respectively, are identified in **Section 5.B.4.e**, below. The methodology is otherwise the same for both periods.

This payment mechanism does not apply to cases in which psychiatric services are provided to Members enrolled with the BH Contractor or an MCO.

### a. Statewide Standard Psychiatric Per Diem

The Statewide Standard Psychiatric Per Diem Rate is derived using the sum of the following: the Acute Hospital Standard for Inpatient Psychiatric Overhead Costs, the Acute Hospital Standard for Inpatient Psychiatric Direct Routine Costs, the Acute Hospital Standard for Inpatient Psychiatric Direct Ancillary Costs, the Acute Hospital Standard for Inpatient Psychiatric Capital Costs, plus the Adjustment to Base Year Costs.

### b. Data Sources

The Psychiatric Per Diem Base Year is FY04. MassHealth utilizes the costs, statistics, and revenue reported in the FY04 -403 cost reports, as screened and updated as of March 10, 2006, in

## **In-State Acute Hospitals**

determining Base Year Operating Standards and the Base Year Capital Standards described in **subsection 5.B.4.c and d**, below.

### **c. Determination of Base Year Operating Standards**

- (1) The Standard for Inpatient Psychiatric Overhead Costs is the median of the Inpatient Psychiatric Overhead Costs Per Day for the array of acute hospitals providing mental health services in DMH-licensed beds. The median is determined based upon inpatient psychiatric days.
- (2) The Standard for Inpatient Psychiatric Direct Routine Costs is the median of the Inpatient Psychiatric Direct Routine Costs Per Day (minus direct routine physician costs) for the array of acute hospitals providing mental health services in DMH-licensed beds. The median is determined based upon inpatient psychiatric days.
- (3) The Standard for Inpatient Psychiatric Direct Ancillary Costs is the median of the Inpatient Psychiatric Direct Ancillary Costs Per Day for the array of acute hospitals providing mental health services in DMH-licensed beds. The median is determined based upon inpatient psychiatric days.

### **d. Determination of Base Year Capital Standard**

- (1) Each hospital's base year capital costs consist of the hospital's actual Base Year patient care capital requirement for historical depreciation for building and fixed equipment, reasonable interest expenses, amortization, leases, and rental of facilities. Any gains from the sale of property will be offset against the hospital's capital expenses.
- (2) Each hospital's base year Psychiatric Capital Cost Per Day equals the base year psychiatric capital cost divided by the greater of: the actual base year psychiatric days or eighty-five percent (85%) of the base year maximum licensed psychiatric bed capacity, measured in days.
- (3) The Standard for Inpatient Psychiatric Capital Costs is the median of the Inpatient Psychiatric Capital Costs Per Day for the array of acute hospitals providing mental health services in DMH-licensed beds. The median is determined based upon inpatient psychiatric days.

### **e. Adjustment to Base Year Costs:**

In calculating the final statewide standard psychiatric per diem rate applicable to dates of service in the 1<sup>st</sup> RY18 Period, the additional steps set forth in the "1<sup>st</sup> RY18 Period" column, below, are applied. In calculating the final statewide standard psychiatric per diem rate applicable to dates of service in the 2<sup>nd</sup> RY18 Period, the additional steps in set forth in the "2<sup>nd</sup> RY18 Period" column, below, are applied.

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1 <sup>st</sup> RY18 Period (for dates of service occurring in the 1 <sup>st</sup> RY18 Period)	2 <sup>nd</sup> RY18 Period (for dates of service occurring in the 2 <sup>nd</sup> RY18 Period)
<p>The Standards for Inpatient Psychiatric Overhead Costs, Direct Routine Costs, and Direct Ancillary Costs were updated by the Inflation Factors for Operating Costs between the Psychiatric Per Diem Base Year and RY07. The Standard for Inpatient Psychiatric Capital Costs was updated by the Inflation Factors for Capital Costs between the Psychiatric Per Diem Base Year and RY07.</p> <p>The Inflation Factors for Operating Costs between RY08 and RY10 and between RY12 and RY16 were applied to the rate calculated above to determine the Statewide Standard Psychiatric Per Diem rate applicable to dates of service in the 1<sup>st</sup> RY18 Period.</p>	<p>The Standards for Inpatient Psychiatric Overhead Costs, Direct Routine Costs, and Direct Ancillary Costs were updated by the Inflation Factors for Operating Costs between the Psychiatric Per Diem Base Year and RY07. The Standard for Inpatient Psychiatric Capital Costs was updated by the Inflation Factors for Capital Costs between the Psychiatric Per Diem Base Year and RY07.</p> <p>The Inflation Factors for Operating Costs between RY08 and RY10 and between RY12 and RY18 were applied to the rate calculated above to determine the Statewide Standard Psychiatric Per Diem rate applicable to dates of service in the 2<sup>nd</sup> RY18 Period.</p>

Payment for psychiatric services provided in beds that are not DMH-Licensed Beds shall be made at the Transfer per diem rate, capped at the Total Transfer Payment Cap. See **Sections 5.B.3.b(4) and 5.B.3.b(5)** for payment rules involving transfers to and from DMH-Licensed Beds and BH managed care status.

### 5. Physician Payment

For physician services provided by Hospital-Based Physicians to MassHealth patients, the Hospital will be reimbursed for the professional component of physician services in accordance with, and subject to, the Physician regulations at 130 CMR 433.000 et seq. Such reimbursement shall be at the lower of (1) the fee established in 101 CMR 317.00 (Medicine), 101 CMR 316.00 (Surgery and Anesthesia), 101 CMR 318.00 (Radiology) and 101 CMR 320.00 (Clinical Laboratory Services), or successor regulations as applicable (including the applicable facility fee for all services where such facility fee has been established); (2) the Hospital's Usual and Customary Charge; or (3) 100% of the Hospital's actual charge submitted.

Hospitals will be reimbursed for such physician services only if the Hospital-Based Physician took an active patient care role, as opposed to a supervisory role, in providing the Inpatient Service(s) on the billed date(s) of service. Physician services provided by residents and interns are not reimbursable separately. Hospitals will only be reimbursed separately for professional fees for practitioners who are Hospital-Based Physicians as defined in **Section 2**. The Hospital-Based Physician may not bill for any professional component of the service that is billed by the Hospital.

Hospitals shall not be reimbursed for inpatient physician services provided by Community-Based Physicians.

Physician fee schedules are available at the State House Bookstore and at <http://www.mass.gov/eohhs/gov/laws-regs/hhs/community-health-care-providers-ambulatory-care.html>.

# In-State Acute Hospitals

## 6. Payments for Administrative Days

RY18 is bifurcated into the 1<sup>st</sup> RY18 Period and the 2<sup>nd</sup> RY18 Period for purposes of applying the payment methodology for Administrative Days. The methodology is set forth in this **Section 5.B.6**, below. The “**1<sup>st</sup> RY18 Period**” column applies to dates of service occurring in the 1<sup>st</sup> RY18 Period, and incorporates applicable definitions in **Section 2** that apply to the 1<sup>st</sup> RY18 Period. The “**2<sup>nd</sup> RY18 Period**” column applies to dates of service occurring in the 2<sup>nd</sup> RY18 Period, and incorporates applicable definitions in **Section 2** that apply to the 2<sup>nd</sup> RY18 Period.

1 <sup>st</sup> RY18 Period (for dates of service occurring in the 1 <sup>st</sup> RY18 Period)	2 <sup>nd</sup> RY18 Period (for dates of service occurring in the 2 <sup>nd</sup> RY18 Period)
<p>Payments for Administrative Days will be made on a per diem basis as described below. These per diem rates are all-inclusive and represent payment in full for all Administrative Days in all Acute Care Hospitals.</p> <p>The AD rate is a base per diem payment and an ancillary add-on.</p> <p>The base per diem payment is \$200.19, which represents the median nursing facility rate that was effective January 1, 2015 for all nursing home rate categories, as determined by EOHHS.</p> <p>The ancillary add-on is based on the ratio of ancillary charges to routine charges, calculated separately for Medicaid/Medicare Part B-eligible patients and Medicaid-only eligible patients on AD status, using MassHealth paid claims for the period October 1, 1997 to September 30, 1998. These ratios are 0.278 and 0.382, respectively.</p> <p>The resulting AD rates (base and ancillary) were then updated by the Inflation Factor for Administrative Days between RY15 and RY16. The resulting AD rates for the 1<sup>st</sup> RY18 Period are \$260.09 for Medicaid/Medicare Part B-eligible patients and \$281.25 for Medicaid-only eligible patients.</p> <p>MassHealth rules and regulations do not allow a patient to be admitted at an AD status, except in limited circumstances outlined in EOHHS regulations. In most cases, therefore, Administrative Days will follow an acute stay in the Hospital. Furthermore, the Hospital may not bill for more than one APAD even if the patient</p>	<p>Payments for Administrative Days will be made on a per diem basis as described below. These per diem rates are all-inclusive and represent payment in full for all Administrative Days in all Acute Care Hospitals.</p> <p>The AD rate is a base per diem payment and an ancillary add-on.</p> <p>The base per diem payment is \$201.63, which represents the median nursing facility rate that was effective October 1, 2015 for all nursing home rate categories, as determined by EOHHS.</p> <p>The ancillary add-on is based on the ratio of ancillary charges to routine charges, calculated separately for Medicaid/Medicare Part B-eligible patients and Medicaid-only eligible patients on AD status, using MassHealth paid claims for the period October 1, 1997 to September 30, 1998. These ratios are 0.278 and 0.382, respectively.</p> <p>The resulting AD rates (base and ancillary) were then updated by the Inflation Factor for Administrative Days between RY16 and RY18. The resulting AD rates for the 2<sup>nd</sup> RY18 Period are \$268.61 for Medicaid/Medicare Part B-eligible patients and \$290.47 for Medicaid-only eligible patients.</p> <p>MassHealth rules and regulations do not allow a patient to be admitted at an AD status, except in limited circumstances outlined in EOHHS regulations. In most cases, therefore, Administrative Days will follow an acute stay in the Hospital. Furthermore, the Hospital may not bill for more than one APAD even if the patient</p>

## In-State Acute Hospitals

1 <sup>st</sup> RY18 Period (for dates of service occurring in the 1 <sup>st</sup> RY18 Period)	2 <sup>nd</sup> RY18 Period (for dates of service occurring in the 2 <sup>nd</sup> RY18 Period)
fluctuates between acute status and AD status in a single hospitalization.	fluctuates between acute status and AD status in a single hospitalization.

### 7. Rehabilitation Unit Services in Acute Hospitals

RY18 is bifurcated into the 1<sup>st</sup> RY18 Period and the 2<sup>nd</sup> RY18 Period for purposes of applying the Rehabilitation Unit per diem payment methodology. The methodology is set forth in this **Section 5.B.7**, below. The “**1<sup>st</sup> RY18 Period**” column applies to dates of service occurring in the 1<sup>st</sup> RY18 Period, and incorporates applicable definitions in **Section 2** that apply to the 1<sup>st</sup> RY18 Period. The “**2<sup>nd</sup> RY18 Period**” column applies to dates of service occurring in the 2<sup>nd</sup> RY18 Period, and incorporates applicable definitions in **Section 2** that apply to the 2<sup>nd</sup> RY18 Period.

1 <sup>st</sup> RY18 Period (for dates of service occurring in the 1 <sup>st</sup> RY18 Period)	2 <sup>nd</sup> RY18 Period (for dates of service occurring in the 2 <sup>nd</sup> RY18 Period)
<p>A DPH-licensed Acute Hospital with a Rehabilitation Unit may bill a per diem rate for Rehabilitation Services provided in the Acute Hospital’s Rehabilitation Unit.</p> <p>For dates of service in the 1<sup>st</sup> RY18 Period, the Rehabilitation Unit per diem rate for such Rehabilitation Services equals the median MassHealth RY17 Rehabilitation Hospital group per diem rate for Chronic Disease and Rehabilitation (CDR) Hospitals, as determined by EOHHS. Acute Hospital Administrative Day rates will be paid in accordance with <b>Section 5.B.6</b> for all days that a patient remains in the Rehabilitation Unit while not at Hospital level of care. Such units shall be subject to EOHHS’ screening program for chronic and rehabilitation hospitals as detailed in 130 CMR 435.408 and requirements detailed in 130 CMR 435.410 – 411.</p>	<p>A DPH-licensed Acute Hospital with a Rehabilitation Unit may bill a per diem rate for Rehabilitation Services provided in the Acute Hospital’s Rehabilitation Unit.</p> <p>For dates of service in the 2<sup>nd</sup> RY18 Period, the Rehabilitation Unit per diem rate for such Rehabilitation Services equals the median MassHealth RY18 Rehabilitation Hospital group per diem rate under the Chronic Disease and Rehabilitation (CDR) Hospital RFA and program, as determined by EOHHS. Acute Hospital Administrative Day rates will be paid in accordance with <b>Section 5.B.6</b> for all days that a patient remains in the Rehabilitation Unit while not at Hospital level of care. Such units shall be subject to EOHHS’ screening program for chronic and rehabilitation hospitals as detailed in 130 CMR 435.408 and requirements detailed in 130 CMR 435.410 – 411.</p>

### 8. Payment for LARC Device – applies to 2<sup>nd</sup> RY18 Period only

This **Section 5.B.8** applies solely to admissions occurring in the 2<sup>nd</sup> RY18 Period, and does not apply to admissions that occur in the 1<sup>st</sup> RY18 Period. The definitions for the 2<sup>nd</sup> RY18 Period as set forth in **Section 2** apply.

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A Hospital may be paid for a LARC Device separate from the APAD, if all of the following conditions are met:

- The member requests the LARC Device while admitted as an inpatient for a labor and delivery stay and, at the time of the procedure, is a clinically appropriate candidate for immediate post-labor and delivery LARC Device insertion; and
- The practitioner has been properly trained for immediate post-partum LARC Device insertion, and performs the procedure immediately after labor and delivery during the same inpatient hospital stay.

If the Hospital qualifies for separate payment of a LARC Device, the Hospital will be reimbursed for the LARC Device according to the fee schedule rates for such devices set forth in EOHHS regulations at 101 CMR 317.00 (Medicine).

### 9. Infant and Pediatric Outlier Payment Adjustments

#### a. Infant Outlier Payment Adjustment

In accordance with 42 U.S.C. § 1396a(s), EOHHS will make an annual infant outlier payment adjustment to Acute Hospitals for Inpatient Services furnished to infants under one year of age involving exceptionally high costs or exceptionally long lengths of stay.

The Infant Outlier Payment is calculated using the data and methodology as follows:

- (1) **Data Source:** The prior year's claims data residing on EOHHS' MMIS is used to determine exceptionally high costs and exceptionally long lengths of stay.
- (2) **Eligibility:** Eligibility for the adjustment is determined as follows:
  - (a) **Exceptionally Long Lengths of Stay:** First, the statewide weighted average Medicaid inpatient length of stay is determined by dividing the sum of Medicaid days for all Acute Hospitals in the state by the sum of Medicaid discharges for all Acute Hospitals in the state. The statewide weighted standard deviation for Medicaid inpatient length of stay is also calculated. The statewide weighted standard deviation for the Medicaid inpatient length of stay is multiplied by two, and added to the statewide weighted average Medicaid inpatient length of stay. The sum of these two numbers is the threshold figure for Medicaid exceptionally long length of stay.
  - (b) **Exceptionally High Cost:** Exceptionally high cost is calculated for Hospitals providing services to infants less than one year of age as follows:
    1. The average cost per Medicaid inpatient discharge for each Hospital is calculated;
    2. The standard deviation for the cost per Medicaid inpatient discharge for each Hospital is calculated;
    3. The Hospital's standard deviation for the cost per Medicaid inpatient discharge is multiplied by two, and that amount is added to the Hospital's average cost per Medicaid inpatient discharge. The sum of these two numbers is each Hospital's threshold Medicaid exceptionally high cost.

## In-State Acute Hospitals

(c) **Eligibility for an Infant Outlier Payment:** First, for each Hospital providing services to infants less than one year of age, the average Medicaid inpatient length of stay involving individuals less than one year of age is determined. If this Hospital-specific average Medicaid inpatient length of stay for infants less than one year of age equals or exceeds the threshold defined in **Section 5.B.9.a(2)(a)**, then the Hospital is eligible for an infant outlier payment.

Second, the cost per inpatient Medicaid case involving infants less than one year of age is calculated. If a Hospital has a Medicaid inpatient case with a cost that equals or exceeds the Hospital's own threshold defined in **Section 5.B.9.a(2)(b)** above, then the Hospital is eligible for an infant outlier payment.

(d) **Payment to Hospitals:** Annually, each Hospital that qualifies for an infant outlier adjustment receives an equal portion of \$50,000. For example, if two Hospitals qualify for an outlier adjustment, then each Hospital receives \$25,000.

### b. Pediatric Outlier Payment Adjustment

In accordance with 42 U.S.C. §1396a(s), EOHHS will make an annual pediatric outlier payment adjustment to Acute Hospitals for Inpatient Services furnished to children more than one year of age and less than six years of age involving exceptionally high costs or exceptionally long lengths of stay.

The Pediatric Outlier Payment is calculated using the data and methodology as follows:

(1) **Data Source:** The prior year's discharge data residing on EOHHS' MMIS is used to determine exceptionally high costs and exceptionally long lengths of stay.

(2) **Eligibility:** Eligibility for the adjustment is determined as follows:

(a) **Exceptionally Long Lengths of Stay:** First, a statewide weighted average Medicaid inpatient length of stay is calculated. This is determined by dividing the sum of Medicaid days for all Acute Hospitals in the state by the sum of Medicaid discharges for all Acute Hospitals in the state. Second, the statewide weighted standard deviation for Medicaid inpatient length of stay is calculated. Third, the statewide weighted standard deviation for Medicaid inpatient length of stay is multiplied by two and added to the statewide weighted average Medicaid inpatient length of stay. The sum of these two numbers is the threshold Medicaid exceptionally long length of stay.

(b) **Exceptionally High Cost:** Exceptionally high cost is calculated for Hospitals providing services to children greater than one year of age and less than six years of age as follows:

1. The average cost per Medicaid inpatient discharge for each Hospital is calculated.
2. The standard deviation for the cost per Medicaid inpatient discharge for each Hospital is calculated.
3. The Hospital's standard deviation for the cost per Medicaid inpatient discharge is multiplied by two and added to the hospital's average cost per Medicaid inpatient discharge. The sum of these two numbers is each Hospital's threshold Medicaid exceptionally high cost.

## In-State Acute Hospitals

- (c) **Eligibility for a Pediatric Outlier Payment:** For Acute Hospitals providing services to children greater than one year of age and less than six years of age, eligibility for a pediatric outlier payment is calculated as follows:
1. The average Medicaid inpatient length of stay involving children greater than one year of age and less than six years of age. If this Hospital-specific average Medicaid inpatient length of stay equals or exceeds the threshold defined in **Section 5.B.9.b(2)(a)**, then the hospital is eligible for a Pediatric Outlier Payment.
  2. The cost per inpatient Medicaid case involving children greater than one year of age and less than six years of age. If this Hospital-specific Medicaid inpatient cost equals or exceeds the threshold defined in **Section 5.B.9.b(2)(b)**, then the Hospital is eligible for a Pediatric Outlier Payment.
  3. Payment to Hospitals: Annually, each Acute Hospital qualifying for a pediatric outlier adjustment will receive \$1,000.

### C. Outpatient Hospital Services

*Note: Rates for all Outpatient Hospital Services (including Emergency Department services) that are covered under a contract between the Acute Hospital and EOHHS' BH Contractor, or a contract between the Acute Hospital and an MCO, as applicable, and that are provided to MassHealth Members enrolled with EOHHS' BH Contractor or with the MCO, as applicable, shall be governed by terms agreed upon between the Acute Hospital and the BH Contractor, or between the Acute Hospital and the MCO (as applicable), as set forth in **Section 4.A.1, 4.A.2 or 4.A.5** (as applicable) of this RFA.*

A Hospital will be paid in accordance with **Section 5.C** for Outpatient Services provided by Hospital Outpatient Departments and Satellite Clinics.

Except as otherwise provided for Outpatient Services specified in **Section 4.C** and **Sections 5.C.3** through **5.C.8**, Hospitals that are not Critical Access Hospitals will receive a Hospital-specific, Episode-specific payment for each payable Episode, known as the Adjudicated Payment per Episode of Care (APEC), calculated as set forth in **Section 5.C.1**, below.

For Critical Access Hospitals, payment for Outpatient Services is set forth in **Section 5.D.7**.

Hospitals will not be reimbursed for Hospital services specified as non-payable in Subchapter 6 of the MassHealth Acute Outpatient Hospital Manual, unless such services are medically necessary services provided to a MassHealth Standard or CommonHealth Member under 21 years. Providers should refer to the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) regulations at 130 CMR 450.140 et seq., regarding provision of EPSDT services to MassHealth Standard or CommonHealth Members under 21 years.

#### 1. Adjudicated Payment per Episode of Care

##### a. Rate Year 2018 APEC

RY18 is bifurcated into the 1<sup>st</sup> RY18 Period and the 2<sup>nd</sup> RY18 Period for purposes of applying the APEC payment methodology. The APEC methodology is set forth in this **Section 5.C.1.b**, below. The “**1<sup>st</sup> RY18 Period**” column applies to dates of service occurring in the 1<sup>st</sup> RY18 Period, and

## In-State Acute Hospitals

incorporates applicable definitions in **Section 2** that apply to the 1<sup>st</sup> RY18 Period. The “**2<sup>nd</sup> RY18 Period**” column applies to dates of service occurring in the 2<sup>nd</sup> RY18 Period, and incorporates applicable definitions in **Section 2** that apply to the 2<sup>nd</sup> RY18 Period. As an exception, for Episodes that extend past midnight in the case of Emergency Department or Observation Services, if the Episode’s first date of service occurs in the 1<sup>st</sup> RY18 Period, then the 1<sup>st</sup> RY18 Period APEC methodology applies to the entire Episode.

1 <sup>st</sup> RY18 Period (for dates of service occurring in the 1 <sup>st</sup> RY18 Period)	2 <sup>nd</sup> RY18 Period (for dates of service occurring in the 2 <sup>nd</sup> RY18 Period)
<p><b>b. Description of APEC payment method</b></p> <p>Hospitals will receive a Hospital-specific, Episode-specific all-inclusive facility payment for each payable Episode known as the Adjudicated Payment per Episode of Care (APEC). The APEC will equal the sum of (1) the Episode-Specific Total EAPG Payment, plus, (2) if applicable, an APEC Outlier Component, each as described in more detail, below. For proper payment, Hospitals must include on a single claim all of the APEC-Covered Services that correspond to the Episode, and must otherwise submit properly completed outpatient hospital claims. For components of the APEC calculated based on data from all Hospitals, the calculation included data for all Hospitals that were operating as of September 1, 2016.</p>	<p><b>b. Description of APEC payment method</b></p> <p>Hospitals will receive a Hospital-specific, Episode-specific all-inclusive facility payment for each payable Episode known as the Adjudicated Payment per Episode of Care (APEC). The APEC will equal the sum of (1) the Episode-Specific Total EAPG Payment, plus, (2) if applicable, an APEC Outlier Component, each as described in more detail, below. For proper payment, Hospitals must include on a single claim all of the APEC-Covered Services that correspond to the Episode, and must otherwise submit properly completed outpatient hospital claims. For components of the APEC calculated based on data from all Hospitals, the calculation included data for all Hospitals that were operating as of August 1, 2017.</p>
<p><b>(1) Episode-Specific Total EAPG Payment</b> For each claim detail line containing APEC-Covered Services in the Episode, the APEC Outpatient Statewide Standard (described below) is multiplied by the claim detail line’s Adjusted EAPG Weight (described below) to result in the claim detail line’s EAPG payment amount. The sum of all of the Episode’s claim detail line EAPG payment amounts is the Episode-Specific Total EAPG Payment.</p>	<p><b>(1) Episode-Specific Total EAPG Payment</b> For each claim detail line containing APEC-Covered Services in the Episode, the APEC Outpatient Statewide Standard (described below) is multiplied by the claim detail line’s Adjusted EAPG Weight (described below) to result in the claim detail line’s EAPG payment amount. The sum of all of the Episode’s claim detail line EAPG payment amounts is the Episode-Specific Total EAPG Payment.</p>
<p><b>(a) APEC Outpatient Statewide Standard.</b> The APEC Outpatient Statewide Standard is based on the average outpatient cost per Episode for all Hospitals’ Episodes in the APEC Base Year, adjusted for casemix, an efficiency standard, an outlier adjustment factor, inflation, and a conversion factor, as further described below.</p>	<p><b>(a) APEC Outpatient Statewide Standard.</b> The APEC Outpatient Statewide Standard is based on the average outpatient cost per Episode for all Hospitals’ Episodes in the APEC Base Year, adjusted for casemix, an efficiency standard, an outlier adjustment factor, inflation, and a conversion factor, as further described below.</p>

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1 <sup>st</sup> RY18 Period (for dates of service occurring in the 1 <sup>st</sup> RY18 Period)	2 <sup>nd</sup> RY18 Period (for dates of service occurring in the 2 <sup>nd</sup> RY18 Period)
<p>For each Hospital, an average outpatient cost per Episode for the APEC Base Year was calculated by multiplying the Hospital's outpatient cost-to-charge ratio (CCR) by the Hospital's MassHealth allowed outpatient charges for all FY14 PAPE paid Episodes (which product is the Hospital's total costs), and then dividing this product by the Hospital's total Episodes. Each Hospital's CCR was calculated by EOHHS using the Hospital's FY14 -403 cost report. The Hospital-specific Episodes and related charges were determined by EOHHS based on paid claims for Episodes residing in MMIS as of April 12, 2015, for the APEC Base Year, for which MassHealth was primary payer.</p> <p>Each Hospital's average outpatient cost per Episode was then divided by the Hospital-Specific FY14 Outpatient Casemix Index (Outpatient CMI), to determine the Hospital's standardized cost per Episode. The Hospital-specific FY14 Outpatient CMI was determined based on FY14 PAPE paid claims data residing in MMIS as of April 12, 2015, for which MassHealth was primary payer. For each Hospital and month of FY14, an average EAPG weight per Episode was determined by (i) assigning individual EAPGs and associated MassHealth-developed EAPG weights (from <b>Chart D to Appendix D-1</b>) to the Hospital's PAPE paid claims for the month (utilizing the 3M EAPG Grouper), (ii) summing the individual EAPG weights together, and then (iii) dividing that sum by the Hospital's number of Episodes for the month. The sum of the Hospital's twelve (12) monthly average EAPG weights per Episode for FY14 divided by 12 is the Hospital-specific FY14 Outpatient CMI.</p> <p>All Hospitals were then ranked from lowest to highest with respect to their standardized costs per Episode. A cumulative frequency of FY15 MassHealth Episodes for the Hospitals was produced from MMIS paid claims on file as of February 3, 2016, for</p>	<p>For each Hospital, an average outpatient cost per Episode for the APEC Base Year was calculated by multiplying the Hospital's outpatient cost-to-charge ratio (CCR) by the Hospital's MassHealth allowed outpatient charges for all FY14 PAPE paid Episodes (which product is the Hospital's total costs), and then dividing this product by the Hospital's total Episodes. Each Hospital's CCR was calculated by EOHHS using the Hospital's FY14 -403 cost report. The Hospital-specific Episodes and related charges were determined by EOHHS based on paid claims for Episodes residing in MMIS as of April 12, 2015, for the APEC Base Year, for which MassHealth was primary payer.</p> <p>Each Hospital's average outpatient cost per Episode was then divided by the Hospital-Specific FY14 Outpatient Casemix Index (Outpatient CMI), to determine the Hospital's standardized cost per Episode. The Hospital-specific FY14 Outpatient CMI was determined based on FY14 PAPE paid claims data residing in MMIS as of April 12, 2015, for which MassHealth was primary payer. For each Hospital and month of FY14, an average EAPG weight per Episode was determined by (i) assigning individual EAPGs and associated MassHealth-developed EAPG weights (from <b>Chart D to Appendix D-2</b>) to the Hospital's PAPE paid claims for the month (utilizing the 3M EAPG Grouper), (ii) summing the individual EAPG weights together, and then (iii) dividing that sum by the Hospital's number of Episodes for the month. The sum of the Hospital's twelve (12) monthly average EAPG weights per Episode for FY14 divided by 12 is the Hospital-specific FY14 Outpatient CMI.</p> <p>All Hospitals were then ranked from lowest to highest with respect to their standardized costs per Episode. A cumulative frequency of FY16 MassHealth Episodes for the Hospitals was produced from MMIS paid claims on file as of May 4, 2017, for which</p>

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1 <sup>st</sup> RY18 Period (for dates of service occurring in the 1 <sup>st</sup> RY18 Period)	2 <sup>nd</sup> RY18 Period (for dates of service occurring in the 2 <sup>nd</sup> RY18 Period)
<p>which MassHealth was the primary payer, and an efficiency standard established at the cost per Episode corresponding to the position on the cumulative frequency that represents 65% of the total number of statewide Episodes in MMIS. The APEC efficiency standard applicable to the 1<sup>st</sup> RY18 Period is \$289.14.</p> <p>The APEC Outpatient Standard was determined by multiplying (a) the weighted mean of the standardized costs per Episode, as limited by the efficiency standard; by (b) the outlier adjustment factor of 93%; and by (c) the Inflation Factors for Operating Costs between RY14 and RY17, and then dividing that result by a conversion factor of 1.057. The APEC Outpatient Statewide Standard applicable to the 1<sup>st</sup> RY18 Period is \$252.00.</p> <p>For the Hospital that is a PPS-exempt cancer hospital under 42 CFR 412.23(f), the Hospital’s APEC Outpatient Statewide Standard will instead be \$317.00.</p>	<p>MassHealth was the primary payer, and an efficiency standard established at the cost per Episode corresponding to the position on the cumulative frequency that represents 67% of the total number of statewide Episodes in MMIS. The APEC efficiency standard applicable to the 2<sup>nd</sup> RY18 Period is \$291.36.</p> <p>The APEC Outpatient Standard was determined by multiplying (a) the weighted mean of the standardized costs per Episode, as limited by the efficiency standard; by (b) the outlier adjustment factor of 93%; and by (c) the Inflation Factors for Operating Costs between RY14 and RY18, and then dividing that result by a conversion factor of 1.057. The APEC Outpatient Statewide Standard applicable to the 2<sup>nd</sup> RY18 Period is \$258.43.</p> <p>For the Hospital that is a PPS-exempt cancer hospital under 42 CFR 412.23(f), the Hospital’s APEC Outpatient Statewide Standard will instead be \$323.43.</p>
<p><b>(b) Claim Detail Line’s “Adjusted EAPG Weight”</b> — EAPG(s) are assigned to the Episode’s APEC-Covered Services based on information contained within a properly submitted outpatient Hospital claim, utilizing the 3M EAPG Grouper. EAPGs are assigned at the claim detail line level. The MassHealth EAPG Weight is the MassHealth relative weight developed by EOHHS for each unique EAPG (see <b>Chart D to Appendix D-1</b>). The 3M EAPG Grouper’s discounting, consolidation and packaging logic is applied to each of the Episode’s claim detail line MassHealth EAPG Weights to produce that claim detail line’s “Adjusted EAPG Weight” for purposes of calculating the Episode-Specific Total EAPG Payment. This 3M EAPG Grouper logic recognizes the efficiencies and value created when multiple procedures or services are provided to the Member in the same Episode.</p>	<p><b>(b) Claim Detail Line’s “Adjusted EAPG Weight”</b> — EAPG(s) are assigned to the Episode’s APEC-Covered Services based on information contained within a properly submitted outpatient Hospital claim, utilizing the 3M EAPG Grouper. EAPGs are assigned at the claim detail line level. The MassHealth EAPG Weight is the MassHealth relative weight developed by EOHHS for each unique EAPG (see <b>Chart D to Appendix D-2</b>). The 3M EAPG Grouper’s discounting, consolidation and packaging logic is applied to each of the Episode’s claim detail line MassHealth EAPG Weights to produce that claim detail line’s “Adjusted EAPG Weight” for purposes of calculating the Episode-Specific Total EAPG Payment. This 3M EAPG Grouper logic recognizes the efficiencies and value created when multiple procedures or services are provided to the Member in the same Episode.</p>

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1 <sup>st</sup> RY18 Period (for dates of service occurring in the 1 <sup>st</sup> RY18 Period)	2 <sup>nd</sup> RY18 Period (for dates of service occurring in the 2 <sup>nd</sup> RY18 Period)
<p>(2) <b>APEC Outlier Component</b> –The APEC Outlier Component is equal to the difference between the Episode-Specific Case Cost and the Episode-Specific Outlier Threshold, which is then multiplied by the 1<sup>st</sup> RY18 Period Marginal Cost Factor of 80%.</p> <p>The Episode-Specific Case Cost is determined by multiplying the Episode’s Total Allowed Charges by the Hospital’s FY14 Outpatient CCR, calculated by EOHHS using the Hospital’s FY14 403 cost report. The Episode-Specific Case Cost is compared to the Episode-Specific Outlier Threshold, which is the sum of the Episode-Specific Total EAPG Payment (calculated as described in <b>Section 5.C.1.b.(1)</b>, above) and the 1<sup>st</sup> RY18 Period Fixed Outpatient Outlier Threshold of \$2,100.00. If the Episode-Specific Case Cost exceeds the Episode-Specific Outlier Threshold, then an APEC Outlier Component is computed equal to the Marginal Cost Factor for the 1<sup>st</sup> RY18 Period set at 80%, multiplied by the difference between the computed Episode-Specific Case Cost and the Episode-Specific Outlier Threshold. If the Episode-Specific Case Cost does not exceed the Episode-Specific Outlier Threshold, then the APEC Outlier Component is \$0.</p> <p>In no case is an APEC Outlier Component payable if the Episode-Specific Total EAPG Payment is \$0.</p>	<p>(2) <b>APEC Outlier Component</b> –The APEC Outlier Component is equal to the difference between the Episode-Specific Case Cost and the Episode-Specific Outlier Threshold, which is then multiplied by the 2<sup>nd</sup> RY18 Period Marginal Cost Factor of 80%.</p> <p>The Episode-Specific Case Cost is determined by multiplying the Episode’s Total Allowed Charges by the Hospital’s FY16 Outpatient CCR, calculated by EOHHS using the Hospital’s FY16 Massachusetts Hospital Cost Report. The Episode-Specific Case Cost is compared to the Episode-Specific Outlier Threshold, which is the sum of the Episode-Specific Total EAPG Payment (calculated as described in <b>Section 5.C.1.b.(1)</b>, above) and the 2<sup>nd</sup> RY18 Period Fixed Outpatient Outlier Threshold of \$2,750.00. If the Episode-Specific Case Cost exceeds the Episode-Specific Outlier Threshold, then an APEC Outlier Component is computed equal to the Marginal Cost Factor for the 2<sup>nd</sup> RY18 Period set at 80%, multiplied by the difference between the computed Episode-Specific Case Cost and the Episode-Specific Outlier Threshold. If the Episode-Specific Case Cost does not exceed the Episode-Specific Outlier Threshold, then the APEC Outlier Component is \$0.</p> <p>In no case is an APEC Outlier Component payable if the Episode-Specific Total EAPG Payment is \$0.</p>
<p>(3) <b>Calculation of the APEC</b> – The Hospital’s APEC for the Episode is equal to the sum of the Episode-Specific Total EAPG Payment (calculated as set forth in <b>Section 5.C.1.b.(1)</b>, above) and the APEC Outlier Component (calculated as set forth in <b>Section 5.C.1.b.(2)</b>, above).</p>	<p>(3) <b>Calculation of the APEC</b> – The Hospital’s APEC for the Episode is equal to the sum of the Episode-Specific Total EAPG Payment (calculated as set forth in <b>Section 5.C.1.b.(1)</b>, above) and the APEC Outlier Component (calculated as set forth in <b>Section 5.C.1.b.(2)</b>, above).</p>

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See **Table 5 and 5.1**, below, for an illustrative example of the calculation of an APEC for an Episode claim with multiple EAPGs. The example **assumes the 2<sup>nd</sup> RY18 Period** applies, although as noted, values are for demonstration purposes only.

Table 5 -- Example of Hospital's APEC Calculation for a Single Episode -- 2nd RY18 Period			
(Values are for demonstration purposes only)			
Line	Description	Value	Notes/ Source
<b>Calculation of Episode-Specific Total EAPG Payment</b>			
1	Episode-Specific Total EAPG Payment	\$1,521.06	Sum of Episode's claim detail line EAPG payment amounts (sum of Line 5 from claim detail lines #1 through #5 from Table 5.1, below)
<b>Calculation of APEC Outlier Component -- (only calculated if Line 1 &gt; \$0)</b>			
2	Episode's Total Allowed Charges	\$13,700.00	Sum of Episode's claim detail line MassHealth allowed charges (sum of Line 2 from claim detail lines #1 through #5, from Table 5.1, below)
3	Hospital's Outpatient Cost-to-Charge Ratio	36.40%	Hospital's FY16 Massachusetts Hospital Cost Report
4	Episode-Specific Case Cost	\$4,986.80	Line 2 * Line 3
5	Fixed Outpatient Outlier Threshold	\$2,750	RY18 RFA (2nd RY18 Period)
6	Episode-Specific Outlier Threshold	\$4,271.06	Line 1 + Line 5
7	Does Episode-Specific Cost exceed Episode-Specific Outlier Threshold? If Line 7 = True, then APEC Outlier Component is payable.	TRUE	Is Line 4 > Line 6
8	Marginal Cost Factor	80%	Determined annually
9	APEC Outlier Component	\$572.59	(Line 4 - Line 6) * Line 8
<b>APEC for the Episode</b>			
10	APEC	\$2,093.65	Line 1 + Line 9

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<b>Table 5.1 -- Claim Detail Line EAPG Payment Amounts (Example)</b>			
(Values are for demonstration purposes only)			
<b>Claim Detail Line #1 EAPG Payment Amount Calculation</b>			
<b>299 EAPG 299 (CAT SCAN - BRAIN)</b>			
Line	Description	Value	Notes/ Source
1	APEC Outpatient Statewide Standard	\$258.43	RY18 RFA (2nd RY18 Period)
2	Claim detail line allowed charges	\$4,000.00	Determined from claim
3	Claim detail line MassHealth EAPG Weight	2.557377	Appendix D-2, Chart D
4	Claim detail line Adjusted EAPG Weight	2.557377	Determined by 3M EAPG Grouper logic
5	Claim detail line EAPG payment amount	\$660.90	Line 1 * Line 4
<b>Claim Detail Line #2 EAPG Payment Amount Calculation</b>			
<b>220 EAPG 220 (LEVEL II NERVOUS SYSTEM INJECTIONS, STIMULATIONS OR CRANIAL TAP)</b>			
Line	Description	Value	Notes/ Source
1	APEC Outpatient Statewide Standard	\$258.43	RY18 RFA (2nd RY18 Period)
2	Claim detail line allowed charges	\$3,000.00	Determined from claim
3	Claim detail line MassHealth EAPG Weight	2.218947	Appendix D-2, Chart D
4	Claim detail line Adjusted EAPG Weight	2.218947	Determined by 3M EAPG Grouper logic
5	Claim detail line EAPG payment amount	\$573.44	Line 1 * Line 4
<b>Claim Detail Line #3 EAPG Payment Amount Calculation - DISCOUNTED</b>			
<b>220 EAPG 220 (LEVEL II NERVOUS SYSTEM INJECTIONS, STIMULATIONS OR CRANIAL TAP)</b>			
Line	Description	Value	Notes/ Source
1	APEC Outpatient Statewide Standard	\$258.43	RY18 RFA (2nd RY18 Period)
2	Claim detail line allowed charges	\$3,000.00	Determined from claim
3	Claim detail line MassHealth EAPG Weight	2.218947	Appendix D-2, Chart D
4	Claim detail line Adjusted EAPG Weight	1.109473	Determined by 3M EAPG Grouper logic
5	Claim detail line EAPG payment amount	\$286.72	Line 1 * Line 4
<b>Claim Detail Line #4 EAPG Payment Amount Calculation - CONSOLIDATED</b>			
<b>298 EAPG 298 (CAT SCAN BACK)</b>			
Line	Description	Value	Notes/ Source
1	APEC Outpatient Statewide Standard	\$258.43	RY18 RFA (2nd RY18 Period)
2	Claim detail line allowed charges	\$3,500.00	Determined from claim
3	Claim detail line MassHealth EAPG Weight	2.925734	Appendix D-2, Chart D
4	Claim detail line Adjusted EAPG Weight	0.000000	Determined by 3M EAPG Grouper logic
5	Claim detail line EAPG payment amount	\$0.00	Line 1 * Line 4
<b>Claim Detail Line #5 EAPG Payment Amount Calculation - PACKAGED</b>			
<b>400 EAPG 400 (LEVEL I CHEMISTRY TESTS)</b>			
Line	Description	Value	Notes/ Source
1	APEC Outpatient Statewide Standard	\$258.43	RY18 RFA (2nd RY18 Period)
2	Claim detail line allowed charges	\$200.00	Determined from claim
3	Claim detail line MassHealth EAPG Weight	0.696963	Appendix D-2, Chart D
4	Claim detail line Adjusted EAPG Weight	0.000000	Determined by 3M EAPG Grouper logic
5	Claim detail line EAPG payment amount	\$0.00	Line 1 * Line 4

## c. Payment System

MassHealth processes and pays clean outpatient claims in accordance with 130 CMR 450.000, et seq.

## 2. Emergency Department Services

### a. Required Screening

All Members presenting in the Emergency Department or dedicated emergency department as defined in 42 CFR 489.24 must be screened and stabilized in accordance with applicable

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requirements at 42 U.S.C. 1395dd et seq., M.G.L. c. 118E, section 17A, and all applicable regulations.

### **b. Payment for Emergency Services**

Hospitals will be reimbursed for Emergency Services provided in the Emergency Department in the same manner as other Outpatient Services.

## **3. Outpatient Hospital Services Payment Limitations and PCC Plan/ Primary Care ACO Notification Requirements**

### **a. Payment Limitations on Outpatient Hospital Services Preceding an Admission**

Hospitals will not be separately reimbursed for Outpatient Hospital Services when an Inpatient Admission to the same Hospital, on the same date of service, occurs following the provision of Outpatient Hospital Services. See **Section 5.B.3.b(3)**.

### **b. Payment Limitations on Outpatient Hospital Services to Inpatients**

Hospitals will not be reimbursed for Outpatient Services provided to any Member who is concurrently an inpatient of any Hospital. The Hospital is responsible for payment to any other Provider of services delivered to a Member while an inpatient of that Hospital.

### **c. Notification Requirements**

For all PCC Plan Members and Members enrolled in a Primary Care ACO, Hospitals must notify the Member's PCC or Primary Care ACO Participating Primary Care Provider (PCP), as applicable, within 48 hours after providing Emergency Department services. The Hospital must also notify the Member's PCC or Primary Care ACO Participating PCP, as applicable, within 48 hours of the Member's discharge from an Inpatient Admission. EOHHS reserves the right to specify the form and format for such notification. Said notice shall include, at a minimum, the Hospital discharge instructions that are provided to the patient, which includes the Member's diagnosis, treatment, and discharge instructions.

## **4. Physician Payments**

- a.** A Hospital may only receive reimbursement for physician services provided by Hospital-Based Physicians to MassHealth Members. The Hospital must claim payment for the professional component of physician services in accordance with, and subject to: (1) the Physician regulations at 130 CMR 433.000 et seq.; (2) the Acute Outpatient Hospital regulations at 130 CMR 410.000 et seq.; and (3) other rules regarding physician payment as set forth in this RFA.
- b.** Such reimbursement shall be the lower of (1) the fee established in 101 CMR 317.00 (Medicine), 101 CMR 316.00 (Surgery and Anesthesia), 101 CMR 318.00 (Radiology) and 101 CMR 320.00 (Clinical Laboratory Services), or successor regulations as applicable (including the applicable facility fee for all services where such facility fee has been established); (2) the Hospital's Usual and Customary Charge for physician fees; or (3) the Hospital's actual charge submitted.

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Hospitals will not be reimbursed separately for professional fees for practitioners other than Hospital-Based Physicians as defined in **Section 2**.

- c. Hospitals will be reimbursed for physician services only if the Hospital-Based Physician took an active patient care role, as opposed to a supervisory role, in providing the Outpatient Service(s) on the billed date(s) of service. The Hospital-Based Physician may not bill for any professional component of the service that is billed by the Hospital.
- d. Physician Services provided by residents and interns are not separately reimbursable.
- e. Hospitals will not be reimbursed for physician services if those services are (1) provided by a Community-Based Physician; or (2) as further described in **Section 5.C**.
- f. In order to qualify for reimbursement for physician services provided during the provision of Observation Services, the reasons for the Observation Services, the start and stop time of the Observation Services, and the name of the physician ordering the Observation Services, must be documented in the Member's medical record.

Physician fee schedules are available at the State House Bookstore and at <http://www.mass.gov/eohhs/gov/laws-regs/hhs/community-health-care-providers-ambulatory-care.html>.

### 5. Laboratory Services

#### a. Payment for Laboratory Services

Hospitals will be reimbursed for laboratory services according to the Outpatient Hospital regulations at 130 CMR 410.455 through 410.459, subject to all restrictions and limitations described in regulations at 130 CMR 401.000.

The maximum allowable payment for a laboratory service shall be at the lowest of the following:

- (1) The amount listed in the most current applicable Clinical Laboratory Services fee schedule at 101 CMR 320.00 and the Surgery & Anesthesia fee schedule at 101 CMR 316.00, or successor regulations as applicable (available at the State House Bookstore and at <http://www.mass.gov/eohhs/gov/laws-regs/hhs/community-health-care-providers-ambulatory-care.html>).
- (2) The Hospital's Usual and Customary Charge; or
- (3) The amount that would be recognized under 42 U.S.C. §13951(h) for tests performed for a person with Medicare Part B benefits.

#### b. Physician Services

No additional payment shall be made for any physician service provided in connection with a laboratory service, except for Surgical Pathology Services. The maximum allowable payment is payment in full for the laboratory service.

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## 6. Audiology Dispensing

### a. Payment for Audiology Dispensing Services

Hospitals will be reimbursed for the dispensing of hearing aids only by a Hospital-based audiologist according to the Audiologist regulations at 130 CMR 426.00 et seq., and according to the fees established in 101 CMR 323.00 (Hearing Services).

### b. Physician Payment

Hospitals may not bill for Hospital-Based Physician services related to the provision of audiology dispensing services.

## 7. Dispensing of Ophthalmic Materials

### a. Payment for Ophthalmic Materials Dispensing

Hospitals will be reimbursed for the dispensing of ophthalmic materials only by a Hospital-Based optometrist, ophthalmologist or other practitioner licensed and authorized to write prescriptions for ophthalmic materials and services according to the Vision Care regulations at 130 CMR 402.000 et seq., and according to the fees established in 101 CMR 315.00 (Vision Care Services and Ophthalmic Materials).

### b. Physician Payment

Hospitals may not bill for Hospital-Based Physician services related to the provision of ophthalmic materials dispensing services.

## 8. Dental Services

### a. Payment for Dental Services

Hospitals will be reimbursed for covered dental services according to the Dental regulations at 130 CMR 420.000 et seq. according to the fees established in 101 CMR 314.00 et seq., or successor regulations, except when the conditions in 130 CMR 420.430(A)(2) or (D) apply. When these conditions apply, EOHHS will reimburse the Hospital according to **Section 5.C.1**. The Hospital-based Dentist may not bill for any professional component of the service that is billed by the Hospital.

### b. Physician Payment

Hospitals may not bill for Hospital-Based Physician (which, as defined in **Section 2**, includes dentists) services related to the provision of dental services, except when the conditions in 130 CMR 420.430(A)(2) or (D) apply. Under those circumstances, in addition to the APEC payment under **Section 5.C.1**, when a Hospital-Based Physician provides physician services, the Hospital may be reimbursed for such physician services in accordance with **Section 5.C.4**. The Hospital-

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Based Physician may not bill for any professional component of the service that is billed by the Hospital.

## D. Reimbursement for Unique Circumstances

### 1. High Public Payer Hospital Supplemental Payment

#### a. Qualification

In order to qualify for the High Public Payer Hospital Supplemental Payment, a Hospital must have received more than 63% of its Gross Patient Service Revenue in FY16 from government payers and free care, as determined by EOHHS based on the Hospital's FY16 Massachusetts Hospital Cost Report.

#### b. Payment Methodology

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, state plan and waiver provisions, payment limits, and full federal financial participation, EOHHS will make \$13 million in total aggregate supplemental payments to qualifying High Public Payer Hospitals, allocated \$6.5 million to inpatient and \$6.5 million to outpatient.

The inpatient portion of the supplemental payment amount for each qualifying Hospital will be determined by apportioning a total of \$6.5 million to qualifying Hospitals on a pro-rata basis according to each qualifying Hospital's number of MCO, Primary Care ACO and PCC Plan inpatient discharges in FY18, with each qualifying Hospital's FY18 MCO and Primary Care ACO discharge volume weighted at 60% and each qualifying Hospital's FY18 PCC Plan discharge volume weighted at 40%, as determined by EOHHS.

The outpatient portion of the supplemental payment amount for each qualifying Hospital will be determined by apportioning a total of \$6.5 million to qualifying Hospitals on a pro-rata basis according to each qualifying Hospital's number of MCO, Primary Care ACO and PCC Plan outpatient episodes in FY18, with each qualifying Hospital's FY18 MCO and Primary Care ACO episode volume weighted at 60% and each qualifying Hospital's FY18 PCC Plan episode volume weighted at 40%, as determined by EOHHS.

For purposes of this calculation, "MCO, Primary Care ACO and PCC Plan inpatient discharges in FY18" refers to paid inpatient discharges from the qualifying Hospital for MassHealth Members enrolled in an MCO, the Primary Care ACO or the PCC Plan, and "MCO, Primary Care ACO and PCC Plan outpatient episodes in FY18" refers to paid outpatient episodes of care delivered by the qualifying Hospital to MassHealth Members enrolled in an MCO, the Primary Care ACO or the PCC Plan, each as determined by EOHHS utilizing, for the MCO discharges and episodes, MCO encounter data submitted by each MCO for FY18 and residing in the MassHealth Data Warehouse as of March 31, 2019, and for the PCC Plan and Primary Care ACO discharges and episodes, Medicaid paid claims data for FY18 residing in MMIS as of March 31, 2019 for which MassHealth is primary payer. "MCO" for purposes of this **Section 5.D.1** refers to all MCOs as defined in **Section 2**, except Senior Care Organizations (SCOs) and One Care plans. Only MCO encounter data and MMIS paid claims data pertaining to qualifying High Public Payer Hospitals (as specified in **Section 5.D.1.a**) is considered in determining the pro rata share.

Payments to qualifying Hospitals under this Section 5.D.1 may be made in installments.

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## 2. Essential MassHealth Hospitals

### a. Qualification

In order to qualify for payment as an Essential MassHealth Hospital, a Hospital must itself meet, or be within a system of hospitals, any one of which meets at least four of the following criteria, as determined by EOHHS, provided that all hospitals within such system are owned or controlled, directly or indirectly, by a single entity that (i) was created by state legislation prior to 1999; and (ii) is mandated to pursue or further a public mission:

- (1) The Hospital is a non-state-owned public Acute Hospital.
- (2) The Hospital meets the current MassHealth definition of a non-profit teaching hospital affiliated with a Commonwealth-owned medical school.
- (3) The Hospital has at least 7% of its total patient days as Medicaid days.
- (4) The Hospital is an acute-care general Hospital located in Massachusetts that provides medical, surgical, Emergency and obstetrical services.
- (5) The Hospital enters into a separate contract with EOHHS relating to payment as an Essential MassHealth Hospital.

### b. Reimbursement Methodology

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, state plan and waiver provisions, payment limits, and full federal financial participation, EOHHS will make a supplemental payment to Essential MassHealth Hospitals. The payment amount will be (i) determined by EOHHS using data filed by each qualifying Hospital in financial reports as required by EOHHS, and (ii) specified in an agreement between EOHHS and the qualifying Hospital.

EOHHS reserves the right to make payments to Essential MassHealth Hospitals in such amounts and pursuant to such methods and using such funding sources as may be approved by CMS.

Acute Hospitals that receive payment as Essential MassHealth Hospitals shall be determined by EOHHS.

## 3. Acute Hospitals with High Medicaid Discharges

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, state plan and waiver provisions, payment limits, and full federal financial participation, EOHHS will make a supplemental payment to Acute Hospitals with High Medicaid Discharges when compared with other participating MassHealth Hospitals. To be eligible for a payment pursuant to this section, a Hospital must have more than 2.7% of the statewide share of Medicaid discharges, as determined by dividing each Hospital's total Medicaid discharges as reported on the Hospital's Massachusetts Hospital Cost Report by the total statewide Medicaid discharges for all Hospitals.

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The payment amount for inpatient services is the lower of (1) the variance between the Hospital's inpatient Medicaid payments and costs, or (2) the Hospital's Health Safety Net Trust Fund-funded payment amount.

The payment amount for outpatient services is the lower of (1) the variance between the Hospital's outpatient Medicaid payments and costs, or (2) the Hospital's Health Safety Net Trust Fund-funded payment amount.

EOHHS reserves the right to make payments to Acute Hospitals with High Medicaid Discharges in such amounts and pursuant to such methods and using such funding sources as may be approved by CMS.

Acute Hospitals that receive payment as Acute Hospitals with High Medicaid Discharges shall be determined by EOHHS.

#### **4. Supplemental Payment for High Medicaid Volume Freestanding Pediatric Acute Hospitals**

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, state plan and waiver provisions, payment limits, and full federal financial participation, EOHHS will make a supplemental payment equal to \$3.85 million to High Medicaid Volume Freestanding Pediatric Acute Hospitals, to account for high Medicaid volume. Such payment amount is determined by EOHHS based on data filed by each qualifying Hospital in its financial and cost reports, and projected Medicaid volume for the Hospital Rate Year.

EOHHS reserves the right to make payments to High Medicaid Volume Freestanding Pediatric Hospitals in such amounts and pursuant to such methods and using such funding sources as may be approved by CMS.

Acute Hospitals that receive payment as High Medicaid Volume Freestanding Pediatric Acute Hospitals shall be determined by EOHHS.

#### **5. Freestanding Pediatric Acute Hospital High Complexity Supplemental Payment**

##### **a. Qualification**

In order to qualify for the Freestanding Pediatric Acute Hospital High Complexity Supplemental Payment, a Hospital must limit its admissions primarily to children and qualify as exempt from the Medicare prospective payment system.

##### **b. Payment Methodology**

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, state plan and waiver provisions, payment limits, and full federal financial participation, EOHHS will make a supplemental payment to Freestanding Pediatric Acute Hospitals, to account for the complex pediatric cases they provide care for.

The supplemental payment amount for each qualifying hospital will be determined by apportioning a total of \$7.6 million to qualifying hospitals on a pro-rata basis according to each qualifying hospital's number of inpatient discharges in FY17, based on Medicaid paid claims data on file as of March 31, 2018. Payments may be made in installments.

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## 6. Pediatric Specialty Unit High Complexity Supplemental Payment

### a. Qualification

In order to qualify for the Pediatric Specialty Unit Payment High Complexity Supplemental Payment, a Hospital must have a Pediatric Specialty Unit as defined in **Section 2**.

### b. Payment Methodology

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, state plan and waiver provisions, payment limits, and full federal financial participation, EOHHS will make a supplemental payment to Hospitals with Pediatric Specialty Units, to account for the complex pediatric cases they provide care for.

The supplemental payment amount for each qualifying hospital will be determined by apportioning a total of \$2.5 million to qualifying hospitals on a pro-rata basis according to each qualifying hospital's number of inpatient discharges in FY17, based on Medicaid paid claims data on file as of March 31, 2018. Payments may be made in installments.

## 7. Critical Access Hospitals

The payment methods set forth in this **Section 5.D.7** apply to Critical Access Hospitals. EOHHS will pay Critical Access Hospitals an amount equal to 101 percent of the Hospital's allowable costs, as determined by EOHHS utilizing the Medicare cost-based reimbursement methodology, for both inpatient and outpatient services, as more fully described below. Interim payments will be made to Critical Access Hospitals based on the rates and methods set forth herein, which payments are provisional in nature and subject to the completion of a cost review and settlement for the time period October 1, 2017 through September 30, 2018, as described in **Section 5.D.7.c**. Subject to this **Section 5.D.7**, all sections of this RY18 RFA otherwise apply to Critical Access Hospitals. If the Hospital loses its designation as a Critical Access Hospital during this period, the payments for inpatient and outpatient services shall revert to the standard inpatient and outpatient rate methodologies set forth in **Sections 5.B** and **5.C**, as determined by EOHHS, and payments may be adjusted accordingly. In no event shall the reversion to any such rate methodologies affect the payment rates to other participating acute hospitals for the applicable rate year.

### a. Payment for Inpatient Services

For Inpatient Admissions occurring in RY18, Critical Access Hospitals (CAHs) will be paid for Inpatient Services in accordance with **Section 5.B** with the following changes.

Critical Access Hospitals (CAH) will be paid an Adjudicated Payment Amount per Discharge (APAD) for those Inpatient Services for which all other in-state acute hospitals are paid an APAD.

Notwithstanding **Section 5.B.1**, for Inpatient Admissions occurring in the **1<sup>st</sup> RY18 Period**, the APAD for each Critical Access Hospital is calculated as follows:

1. EOHHS calculated a cost per discharge for Inpatient Services for each Critical Access Hospital by dividing the amount reported on worksheet E-3, part VII, column 1, line 40 of the Hospital's FY15 CMS-2552-10 cost report, by the Hospital's number of FY15 Medicaid (MassHealth) discharges. The Hospital's Medicaid (MassHealth) discharge volume was

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derived from FY15 paid claims data residing in MMIS as of May 24, 2016, for which MassHealth is the primary payer.

2. EOHHS then multiplied the cost per discharge amount by the Inflation Factors for Operating Costs between RY15 and RY17, resulting in the 1<sup>st</sup> RY18 Period cost per discharge for each Critical Access Hospital.
3. EOHHS then divided each Critical Access Hospital's 1<sup>st</sup> RY18 Period cost per discharge by each Hospital's FY15 inpatient casemix index (CMI), as determined by EOHHS.
4. That result is the 1<sup>st</sup> RY18 Period CAH-Specific Total Standard Rate per Discharge. This is an all-inclusive rate that replaces the APAD Base Payment used in the APAD calculations for all other Hospitals for admissions in the 1<sup>st</sup> RY18 Period.
5. The Critical Access Hospital's APAD for a specific discharge is then determined by multiplying the 1<sup>st</sup> RY18 Period CAH-Specific Total Standard Rate per Discharge by the discharge-specific MassHealth DRG Weight from **Chart C-1 to Appendix C-1** (1<sup>st</sup> RY18 Period).
6. Critical Access Hospitals will not be subject to any adjustment for Potentially Preventable Admissions under **Section 8.1**.

Notwithstanding **Section 5.B.1**, for Inpatient Admissions occurring in the **2<sup>nd</sup> RY18 Period**, the APAD for each Critical Access Hospital is calculated as follows:

1. EOHHS calculated a cost per discharge for Inpatient Services for each Critical Access Hospital by dividing the amount reported on worksheet E-3, part VII, column 1, line 21 of the Hospital's FY16 CMS-2552-10 cost report, by the Hospital's number of FY16 Medicaid (MassHealth) discharges. The Hospital's Medicaid (MassHealth) discharge volume was derived from FY16 paid claims data residing in MMIS as of May 23, 2017, for which MassHealth is the primary payer.
2. EOHHS then multiplied the cost per discharge amount by the Inflation Factors for Operating Costs between RY16 and RY18, resulting in the 2<sup>nd</sup> RY18 Period cost per discharge for each Critical Access Hospital.
3. EOHHS then divided each Critical Access Hospital's 2<sup>nd</sup> RY18 Period cost per discharge by each Hospital's FY16 inpatient casemix index (CMI), as determined by EOHHS.
4. That result is the 2<sup>nd</sup> RY18 Period CAH-Specific Total Standard Rate per Discharge. This is an all-inclusive rate that replaces the APAD Base Payment, used in the APAD calculations for all other Hospitals for admissions in the 2<sup>nd</sup> RY18 Period.
5. The Critical Access Hospital's APAD for a specific discharge is then determined by multiplying the 2<sup>nd</sup> RY18 Period CAH-Specific Total Standard Rate per Discharge by the discharge-specific MassHealth DRG Weight from **Chart C-2 to Appendix C-2** (2<sup>nd</sup> RY18 Period).
6. Critical Access Hospitals will not be subject to any adjustment for Potentially Preventable Admissions under **Section 8.1**.

The following is an illustrative example of the calculation of the Total Case Payment for a CAH's standard APAD claim that does not also qualify for an Outlier Payment. This example

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assumes the 2<sup>nd</sup> RY18 Period applies, although as noted, values are for demonstration purposes only.

Table 6: Critical Access Hospital Standard APAD Claim-2nd RY18 Period			
(Values are for demonstration purposes only)			
Hospital:	Sample Critical Access Hospital		
DRG	203,Chest Pain,Severity of Illness (SOI)=2		
Line	Description	Value	Calculation or Source
1	2nd RY18 Period CAH-Specific Total Standard Rate per Discharge	\$ 12,411.33	Interim Rate (2552 Cost Report)
2	MassHealth DRG Weight	0.3598	Appendix C-2, Chart C-2
3	Pre-Adjusted APAD	\$ 4,465.60	Line 1 * Line 2
4	Potentially Preventable Readmission Adjustment	0.0%	Not Applicable to CAH
5	<b>Total Case Payment=Adjudicated Payment Amount per Discharge (APAD)</b>	<b>\$ 4,465.60</b>	<b>Line 3*(100% +Line 4)</b>

Outlier Payments and Transfer per diem rates for Critical Access Hospitals are calculated and paid as described in **Sections 5.B.2** and **Section 5.B.3**, respectively, except that the APAD used for purposes of those calculations is the CAH's APAD calculated as set forth **Section 5.D.7.a**, above, and that **Section 8.1** does not apply to CAHs.

### b. Payment for Outpatient Services

Critical Access Hospitals (CAHs) will be paid for Outpatient Services in accordance with **Section 5.C** with the following changes.

For dates of service in RY18, Critical Access Hospitals will be paid a Hospital-specific, Episode-Specific Adjudicated Payment per Episode of Care (APEC) for those Outpatient Services for which all other in-state hospitals are paid an APEC.

Notwithstanding **Section 5.C.1**, for dates of service in the **1<sup>st</sup> RY18 Period**, the Hospital-specific, Episode-specific APEC for each Critical Access Hospital was calculated as follows:

1. EOHHS calculated a cost per Episode for Outpatient Services for each Critical Access Hospital by dividing the amount reported on worksheet E-3, part VII, column 2, line 21 of the Hospital's FY15 CMS-2552-10 cost report by the Hospital's number of FY15 Medicaid (MassHealth) Episodes. The Hospital's Medicaid (MassHealth) Episode volume was derived from FY15 paid claims data residing in MMIS as of May 24, 2016, for which MassHealth is the primary payer.
2. EOHHS then multiplied the cost per Episode amount for each Critical Access Hospital by the Inflation Factors for Operating Costs between RY15 and RY17, resulting in the Critical Access Hospital's 1<sup>st</sup> RY18 Period inflation-adjusted cost per Episode.
3. EOHHS then divided each Critical Access Hospital's 1<sup>st</sup> RY18 Period inflation-adjusted cost per Episode by each Hospital's FY15 outpatient casemix index (CMI), as determined by EOHHS.
4. That result is the 1<sup>st</sup> RY18 Period CAH-Specific Outpatient Standard Rate per Episode.
5. The Critical Access Hospital's APEC for a specific Episode is then determined by substituting the 1<sup>st</sup> RY18 Period CAH-Specific Outpatient Standard Rate per Episode for the

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APEC Outpatient Statewide Standard and calculating a CAH APEC payment as otherwise described in **Section 5.C.1.b**, utilizing the methodology applicable to the 1<sup>st</sup> RY18 Period.

Notwithstanding **Section 5.C.1**, for dates of service in the **2nd RY18 Period**, the Hospital-specific, Episode-specific APEC for each Critical Access Hospital was calculated as follows:

1. EOHHS calculated a cost per Episode for Outpatient Services for each Critical Access Hospital by dividing the amount reported on worksheet E-3, part VII, column 2, line 21 of the Hospital's FY16 CMS-2552-10 cost report by the Hospital's number of FY16 Medicaid (MassHealth) Episodes. The Hospital's Medicaid (MassHealth) Episode volume was derived from FY16 paid claims data residing in MMIS as of May 23, 2017, for which MassHealth is the primary payer.
2. EOHHS then multiplied the cost per Episode amount for each Critical Access Hospital by the Inflation Factors for Operating Costs between RY16 and RY18, resulting in the Critical Access Hospital's 2<sup>nd</sup> RY18 Period inflation-adjusted cost per Episode.
3. EOHHS then divided each Critical Access Hospital's 2<sup>nd</sup> RY18 Period inflation-adjusted cost per Episode by each Hospital's FY16 outpatient casemix index (CMI), as determined by EOHHS.
4. That result is the 2<sup>nd</sup> RY18 Period CAH-Specific Outpatient Standard Rate per Episode.
5. The Critical Access Hospital's APEC for a specific Episode is then determined by substituting the 2<sup>nd</sup> RY18 Period CAH-Specific Outpatient Standard Rate per Episode for the APEC Outpatient Statewide Standard and calculating a CAH APEC payment as otherwise described in **Section 5.C.1.b**, utilizing the methodology applicable to the 2<sup>nd</sup> RY18 Period.

### c. Post-RY18 Cost Review and Settlement

Each Critical Access Hospital must timely complete all Medicaid (Title XIX) data worksheets on CMS-2552 cost reports for FY18 in accordance with the CMS Provider Reimbursement Manual - Part 2 (CMS publication 15-2) ("CMS-2552-10 cost reports"), and any additional instructions provided by MassHealth, and submit copies of such completed reports to EOHHS no later than February 28, 2019, or such date as otherwise determined necessary by EOHHS. Critical Access Hospitals shall also complete and provide to EOHHS upon request all such other information, and in such format, as EOHHS determines necessary to perform the review described below.

EOHHS will perform a post-RY18 review to determine whether the Critical Access Hospital received aggregate interim payments in an amount equal to 101% of allowable costs utilizing the Medicare cost-based reimbursement methodology for both inpatient and outpatient services for RY18, as such amount is determined by EOHHS ("101% of allowable costs"). EOHHS will utilize the Critical Access Hospital's FY18 CMS-2552-10 cost reports and such other information that EOHHS determines is necessary, to perform this post RY18 review. "Aggregate interim payments" for this purpose shall include all hospital payments under the RY18 RFA, as determined by EOHHS, but excluding any payments under **Section 5.D.1** and **Section 7**.

If EOHHS determines that the Critical Access Hospital was paid less than 101% of allowable costs, EOHHS will pay the Critical Access Hospital the difference between the amount that

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EOHHS determines is 101% of allowable costs and the aggregate interim payments. If EOHHS determines that the Critical Access Hospital was paid more than 101% of allowable costs, the Critical Access Hospital shall pay to EOHHS, or EOHHS may recoup or offset against future payments, the amount that equals the difference between the aggregate interim payments and the amount that EOHHS determines is 101% of allowable costs.

This post RY18 review and settlement will take place within approximately twelve (12) months after the close of RY18, subject to the availability of data, or, if later, at such other time as EOHHS determines the necessary documentation is available.

### **8. High Medicaid Volume Safety Net Hospital Supplemental Payment**

#### **a. Qualification**

In order to qualify for a High Medicaid Volume Safety Net Hospital supplemental payment, a Hospital must be a High Medicaid Volume Safety Net Hospital as defined in **Section 2**, and must enter into a separate payment agreement with EOHHS relating to payment as a High Medicaid Volume Safety Net Hospital.

#### **b. Reimbursement Methodology**

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, state plan and waiver provisions, payment limits, and full federal financial participation, EOHHS will make a supplemental payment to a High Medicaid Volume Safety Net Hospital. The payment amount will be (i) determined by EOHHS using data filed by the qualifying Hospital in financial reports as required by EOHHS, and (ii) specified in an agreement between EOHHS and the qualifying Hospital.

EOHHS reserves the right to make payments to a qualifying High Medicaid Volume Safety Net Hospital in such amounts and pursuant to such methods and using such funding sources as may be approved by CMS.

Acute Hospitals that receive payment as a High Medicaid Volume Safety Net Hospital shall be determined by EOHHS.

### **E. Safety Net Care Acute Hospital Payments**

In accordance with the terms and conditions of the Commonwealth's 1115 waiver governing the Safety Net Care Pool (SNCP), and subject to compliance with all applicable federal requirements, the Commonwealth will make additional payments above the amounts specified in **Sections 5.B, 5.C, and 5.D** to Hospitals which qualify for payments under the SNCP. SNCP payments are authorized by the Centers for Medicare and Medicaid Services (CMS) on a state fiscal year basis for each applicable waiver year.

Only Hospitals that have an executed Contract with EOHHS, pursuant to this RFA, are eligible for SNCP payments.

All SNCP payments are subject to federal approval and the availability of federal financial participation.

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## F. Federal Financial Participation (FFP)

### 1. FFP Denials

If any portion of the RFA payment methodology or any amount paid pursuant to this RFA is not approved or is the basis of a disallowance by CMS, such payments made to the Hospital by EOHHS in excess of the federally approved methodology or amounts will be deemed an overpayment and EOHHS may recoup, or offset such overpayments against future payments.

### 2. Exceeding Limits

#### a. Hospital-Specific Limits

If any payments made pursuant to this RFA exceed any applicable federal Hospital-specific payment limits, including, but not limited to, charge limits, upper payment limits, and limits based on federally approved payment methods, such amounts will be deemed an overpayment and EOHHS may recoup, or offset against future payments, any such overpayments.

#### b. Aggregate Limits

If any payments made pursuant to this RFA exceed applicable federal aggregate payment limits, including, but not limited to, upper payment limits provided for in federal law, regulations, and the Commonwealth's 1115 waiver, EOHHS may exercise its discretion to apportion disallowed amounts among the affected Hospitals and to recoup from, or offset against future payments to such Hospitals, or to otherwise restructure payments in accordance with approved payment methods.

## G. Billing

1. Submission of Claims. The Provider shall submit claims for all non-professional services through an 837I or Direct Data Entry (DDE) and all professional components services for Hospital –Based Physician (Inpatient and Outpatient) Services through an 837P or DDE, except where otherwise indicated by MassHealth regulations, billing instructions, Provider bulletins, or other written statements of policy, and in compliance with all applicable regulations, billing instructions, Provider bulletins, and other written statements of policy, as they may be amended periodically. In the event that a provider's only means of submission is paper, the provider must meet the MassHealth requirements of a paper submission waiver request.
2. International Classification of Diseases (ICD) Version. To comply with the national conversion from ICD-9 to ICD-10 effective October 1, 2015, wherever ICD is used for billing, reporting, payment, or other relevant purposes, Hospitals must submit claims for Hospital services using the appropriate version, as follows.
  - a) For inpatient hospital services that are paid the APAD, Outlier Payment, or Transfer per diem: Claims for an inpatient stay with a date of discharge on or after October 1, 2015, must contain ICD-10 only codes (where ICD is required) for the entire claim regardless of the date of admission.

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Claims for an inpatient stay with a date of discharge before October 1, 2015, must contain ICD-9 only codes (where ICD is required).

- b) For inpatient hospital services that are paid the Rehabilitation Unit per diem, the Psychiatric Per Diem, or the Administrative Day per diem, or for outpatient hospital services that are paid the Payment Amount Per Episode (PAPE) or Adjudicated Payment per Episode of Care (APEC) (as applicable): Claims with dates of service on or after October 1, 2015, must contain ICD-10 only codes (where ICD is required). Claims with dates of services before October 1, 2015, must contain ICD-9 only codes (where ICD is required).

Detailed instructions for MassHealth providers regarding the ICD changes are available at [www.mass.gov/masshealth/icd-10](http://www.mass.gov/masshealth/icd-10).

### **H. Treatment of Reimbursement for Members in the Hospital on the Effective Date of the Hospital Contract; Members in the Hospital on the Effective Date of the 2<sup>nd</sup> RY18 Period**

Except as described in the next paragraph, EOHHS shall reimburse participating Hospitals for services provided to MassHealth Members who are at acute inpatient status prior to October 1, 2017, and who remain at acute inpatient status on or after October 1, 2017, at the Hospital's MassHealth rates and payment methods established prior to this RY18 RFA, and at the Hospital's MassHealth rates and payment methods established in this RY18 RFA for inpatient services provided to MassHealth members who are admitted on or after October 1, 2017.

For services that qualify for the Rehabilitation Unit per diem, the Psychiatric Per Diem, the Administrative Day per diem, or the Adjudicated Payment Per Episode of Care (APEC), the Hospital's MassHealth rates and payment methods established prior to this RY18 RFA apply to dates of service prior to October 1, 2017, and the Hospital's RY18 RFA rates and payment methods apply to dates of service on or after October 1, 2017. As an exception, for Episodes that extend past midnight in the case of Emergency Department or Observation Services, if the Episode's first date of service occurs in RY17, then the APEC methodology under the RY17 RFA applies to the entire Episode.

Furthermore, for purposes of the APAD, inpatient Outlier Payment, and Transfer per Diem payment methodologies set forth in **Sections 5.B.1 through 5.B.3**, the 1<sup>st</sup> RY18 Period methodologies apply to admissions occurring in the 1<sup>st</sup> RY18 Period, and the 2<sup>nd</sup> RY18 Period methodologies apply to admissions occurring in the 2<sup>nd</sup> RY18 Period. For purposes of the Psychiatric Per Diem, Administrative Day per diem, Rehabilitation Unit per diem, and APEC payment methodologies set forth in **Sections 5.B.4, 5.B.6, 5.B.7 and 5.C.1**, respectively, the 1<sup>st</sup> RY18 Period methodologies apply to dates of service occurring in the 1<sup>st</sup> RY18 Period, and the 2<sup>nd</sup> RY18 Period methodologies apply to dates of service occurring in the 2<sup>nd</sup> RY18 Period. As an exception, for Episodes that extend past midnight in the case of Emergency Department or Observation Services, if the Episode's first date of service occurs in the 1<sup>st</sup> RY18 Period, then the 1<sup>st</sup> RY18 Period APEC methodology applies to the entire Episode. The payment method in **Section 5.B.8** (LARC Device) applies solely to applicable admissions occurring in the 2<sup>nd</sup> RY18 Period.

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## I. Future Rate Years

Adjustments may be made each Rate Year to update rates and shall be made in accordance with the Hospital Contract in effect on that date. All provisions of the RFA requiring continuing performance shall survive the termination of such RFA.

## J. Compliance with Legal Requirements

The parties agree to comply with, and are subject to, all state and federal statutes, rules, and regulations governing the MassHealth Program, and reimbursement and delivery of Acute Hospital services, including but not limited to Acute Inpatient Hospital regulations at 130 CMR 415.000 et seq., Outpatient Hospital regulations at 130 CMR 410.000 et seq., and Administrative and Billing regulations at 130 CMR 450.00 et seq.; provided, however, that in the event of any conflict between the documents that are part of the Hospital's Contract with EOHHS and any MassHealth regulation now existing or hereinafter adopted, the terms of the Contract shall prevail. All references to statutes and regulations refer to such statutes and regulations as they may be amended from time to time. In addition, the parties must comply with all applicable billing instructions and Provider bulletins, and other written statements of policy issued by EOHHS and its divisions, as they may be amended from time to time.

## K. Eligibility Verification

EOHHS will pay the Hospital only for a covered service delivered to a Member who, on the date of service, is (1) eligible under MassHealth to receive that service, and (2) not enrolled with a MassHealth MCO or EOHHS' Behavioral Health contractor that covers the service. Each day of an inpatient Hospital stay constitutes a discrete "date of service." A Member who meets the foregoing conditions on a given date of service may not meet such conditions on all dates of service comprising a Hospital stay. The Hospital is responsible for determining, through the MassHealth Eligibility Verification System (EVS), that the Member meets the conditions stated herein on each discrete date of service.

## L. Errors in Calculation of Potentially Preventable Readmissions

As set forth below, EOHHS will make corrections to a Hospital's final Hospital-specific potentially preventable readmission (PPR) calculation that applies to the 2<sup>nd</sup> RY18 Period under the Contract resulting from this RFA, retroactive to the effective date of the Contract. Any such correction of the Hospital's 2<sup>nd</sup> RY18 Period PPR calculations will apply to applicable 2<sup>nd</sup> RY18 Period inpatient rates of the Hospital, and will not affect computation of any statewide average, statewide standard amounts or of any of the efficiency standards applied to operating costs, or to capital costs, and shall not affect the APAD, PPR calculations, or any other rate or rate component of any other Hospital. A Hospital must meet the particular conditions set forth below in order to request a correction to an error.

### 1. Incorrect Determination of 30-Day Potentially Preventable Readmissions (PPR) as applicable to 2<sup>nd</sup> RY18 Period

- a. PPR calculations shall be made as described in **Section 8.1**. In the event of an error in the calculations of PPR applicable to the 2<sup>nd</sup> RY18 Period made by EOHHS, resulting in an amount not consistent with the methodology and where the effect of the error is a decrease in the Hospital's estimated total inpatient APAD and Outlier Payments for the 2<sup>nd</sup> RY18 Period of 2%

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or more, a Hospital may request a correction to its 2<sup>nd</sup> RY18 Period PPR calculations, which shall be at EOHHS' sole discretion.

- b.** To qualify for a correction, Hospitals must contact EOHHS in writing by hand delivery or by mail, postmarked no later than February 1, 2018, and must include with their request for a correction all of the necessary documentation for each and every contested discharge used in the finalized PPR calculations for the 2<sup>nd</sup> RY18 Period. Hospital reporting errors in claims used in PPR calculations, as well as changes in claims status in MMIS that took place after the date the claims data was extracted for purposes of determining the Hospital's PPR reduction for the 2<sup>nd</sup> RY18 Period under **Section 8.1** are not subject to correction. Requests for corrections that do not include all necessary documentation will not be considered.

Please contact the Acute Hospital Program at the following address:

Executive Office of Health and Human Services  
MassHealth Office of Providers and Plans  
Attention: Acute Hospital Program (Steven Sauter)  
100 Hancock Street, 6<sup>th</sup> Floor  
Quincy, MA 02171

### **M. Data Sources**

If data sources specified by this RFA are not available, or if other factors do not permit precise conformity with the provisions of this RFA, EOHHS shall select such substitute data sources or other methodology(ies) that EOHHS deems appropriate in determining Hospitals' rates.

### **N. New Hospitals/Hospital Change of Ownership**

For any newly participating Hospital, or any Hospital which is party to a merger, sale of assets, or other transaction involving the identity, licensure, ownership or operation of the Hospital during the effective period of this RFA, EOHHS, in its sole discretion, shall determine on a case-by-case basis: (1) whether the Hospital qualifies for reimbursement under this RFA; and, if so, (2) the appropriate rates of reimbursement. Such rates of reimbursement shall be determined in accordance with the provisions of this RFA to the extent that EOHHS deems possible. EOHHS' determination shall be based on the totality of the circumstances. Any such rate may, in EOHHS' sole discretion, affect computation of any statewide average or statewide standard and/or any cost standard or component of such standard. MassHealth provider numbers are not assignable to new entities.

See **Sections II.5.a** and **II.5.d** of **Appendix A**, and **Appendix B, item 11**, for requirements in the event of Hospital change of ownership.

### **O. Primary Care Physician Payments Pursuant to Section 1202 of the Affordable Care Act**

The Hospital shall comply with, and shall assist EOHHS in complying with the requirements of any audits related to the prior implementation of Section 1202 of the Affordable Care Act, including but not limited to audits conducted by EOHHS, CMS, and other state and federal authorities. Such assistance may include, but is not limited to, providing all documentation reasonable and necessary for EOHHS and CMS to determine Section 1202 rates were paid and administered in accordance with Section 1202 and all applicable federal and state laws, regulations, rules, policies, and contract requirements related to the implementation of Section 1202 of the Affordable Care Act.

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## **Section 6: Payment and Reporting Provisions**

All payments under this RFA are subject to the following provisions, as well as all other rules and regulations governing service limitations, claims payment, billing and claims processing procedures, utilization control requirements and all other MassHealth conditions of payment.

### **A. Services Requiring Practitioner Prior Approval**

EOHHS will not reimburse a Hospital for services provided when the practitioner is required to, but fails to obtain prior authorization, referrals or other approval for the service. It is the Hospital's responsibility to ensure that a practitioner providing services in the Hospital has obtained the necessary approvals.

### **B. Hospital Payments in the Event of Third-Party Coverage**

1. Except to the extent prohibited by 42 U.S.C. § 1396a(a)(25)(E) or (F), the Hospital must make diligent efforts, as defined under 130 CMR 450.316(A), to identify and obtain Insurance Payments before billing MassHealth.
2. For Inpatient Admissions, Outpatient Services, and Emergency Department Services where the Member has Third-Party Insurance coverage, EOHHS will pay the Hospital according to Third-Party Liability provisions at 130 CMR 450.316 through 450.321.

### **C. Notification of Hospital Election to Offer Reduced Medicare Coinsurance Amounts**

Acute Hospitals have an option to elect to reduce a Medicare beneficiary's Coinsurance amount under the Medicare outpatient prospective payment system. Such election must be made in writing to the Hospital's fiscal intermediary (FI), specifying the services to which it applies. The first such election must have been made by June 1, 2000, and for future years by December 1 of the year preceding the calendar year for which the election is being made. See 42 CFR 419.42.

Hospitals electing to take such an option must forward a copy of their notification to the FI to:

Executive Office of Health and Human Services  
Office of Medicaid  
Attn.: Claims Coordination Unit  
UMass-CHCF  
The Schrafft Center  
529 Main Street, 3rd Floor  
Charlestown, MA 02129

### **D. Sterilization**

EOHHS will pay for an inpatient stay for a sterilization or for outpatient sterilization services only when the Hospital meets all requirements regarding Member consent and service delivery as set forth in MassHealth regulations. For any sterilization for which the Hospital does not demonstrate compliance

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with Member consent requirements, including submission of all required documentation according to all applicable regulations, MassHealth will deduct an amount equal to the Hospital's PAPE in effect October 1, 2016 from the applicable Hospital payment amount. Furthermore, the performance of sterilization without meeting all such requirements may result in sanctions against the Hospital in accordance with 130 CMR 450.238 et seq. as well as the applicable provisions of this RFA.

### **E. Reporting Requirements**

All Acute Hospitals must furnish ownership, licensure, financial, and statistical documents relating to MassHealth participation, services, and payment, as required by EOHHS and other governmental entities. This shall include, but is not limited to, state and federal cost reports, charge books, merged billing and discharge filings, audited financial statements, and provider enrollment information. In addition, Critical Access Hospitals must timely complete and furnish all Medicaid (Title XIX) data worksheets on CMS-2552-10 cost reports in accordance with the CMS Provider Reimbursement Manual - Part 2 (CMS publication 15-2) (see **Section 5.D.7**). If a Hospital does not furnish required information within the applicable time period, or within a reasonable extension of time approved in writing by EOHHS, such Hospital may have a 5% reduction applied to its APAD and inpatient Outlier Payments beginning 45 days after the required submission date. This reduction shall accrue in a cumulative manner of 5% for each month of non-compliance.

For example, the downward adjustment to the Hospital's APAD and Outlier Payments for the first month would equal 5%; if the requested documentation is not received for another month, the downward adjustment to the Hospital's APAD and Outlier Payments for the second month shall equal 10%. The adjustment shall not, in any case, exceed 50% of the APAD and Outlier Payments. If a Hospital is not in full compliance with the submission of the aforementioned information at such time as the Hospital's rates are subject to change (i.e., at the start of a new Rate Year, or upon commencement of an amendment that affects the rates), at no time can the new rates exceed the adjusted current rates. If, however, the new rates are less than the rates currently in effect, then the new rates will become effective and potentially subject to further adjustment.

Hospitals must separately identify in the state cost report any costs associated with Rehabilitation Units, in accordance with all applicable instructions.

All Acute Hospitals must report their costs and payments using the Uniform Medicaid & Uncompensated Care Cost & Charge Report (UCCR), in accordance with the requirements of the federally approved cost limit protocol and instructions by EOHHS. Such cost reporting will be based on the provider's CMS-2552-10 cost report and will result in reconciliation and recovery of any overpayments.

### **F. Accident Reporting**

Hospitals shall use reasonable efforts to determine whether a Member's injury is due to an accident or trauma (e.g., automobile accident, accident at work). In the event that a MassHealth Member is treated at a Hospital for injuries resulting from an accident or trauma, the Hospital shall notify EOHHS in writing of the following information, at the address below:

1. Patient's name, MassHealth number (SSN or RID), address, and date of birth;
2. Date(s) of service (*from-to*);

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3. Date of injury;
4. Type of accident (e.g., auto accident, accident at work, slip and fall);
5. Insured's name and address;
6. Insurance company's name;
7. Insured's attorney's name, address and telephone number.

Such written notification shall be sent to the following address:

Office of Medicaid  
Accident Trauma Recovery Unit  
P.O. Box 15205  
Worcester, MA 01615-0205  
Phone: (800) 754-1864

### **G. MassHealth Co-payments**

For any Hospital service for which a Member co-payment is applied pursuant to 130 CMR 450.130, EOHHS shall deduct the co-payment amount from the applicable Hospital payment amount specified in this RFA. Hospitals may not refuse services to any Member who is unable to pay the co-payment at the time the service is provided, and must otherwise comply with all applicable state and federal requirements regarding co-payments.

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## Section 7. Pay-for-Performance Quality Reporting Requirements and Payment Methods

This section sets forth the MassHealth Pay-for-Performance (P4P) Program quality reporting requirements and payment methods for RFA18. Incentive payments described in **Section 7.5** are contingent upon the Hospital's performance of all applicable requirements specified in **Section 7**.

During RY18, EOHHS plans to reevaluate MassHealth's approach to quality and performance-based incentive payments, in order to align more closely with MassHealth's ACO programs and initiatives and their focus on quality, care integration, and member outcomes. As a result, RY18 will be the final year of the P4P Program in its current form.

### 7.1 Pay-for-Performance Program Requirements

The MassHealth P4P program shall operate under the following principles:

- A.** Reward Hospitals for excelling in and improving quality of care delivered to MassHealth members, including the reduction of racial and ethnic health disparities.
- B.** Evaluate Hospital performance for RY18 incentive payments, using quality measures for maternity, care coordination, emergency department throughput, tobacco treatment, newborn, and health disparities as set forth in **Section 7.3**.
- C.** Assess Hospital performance for the applicable year, in accordance with methods set forth in **Section 7.4**, to calculate performance scores that will be converted to P4P payments.
- D.** Make payments to Hospitals in accordance with the methods for calculating payments set forth in **Section 7.5** of this RFA. As specified in **Section 7.5**, P4P incentive payments for RY18 will be based on pay-for-performance, as specified therein.
- E.** To be eligible to receive P4P incentive payments, Hospitals must adhere to the following quality reporting standards:
  - 1.** Submit complete data, as described in **Section 7.3**, for each required measure listed in **Table 7-1**;
  - 2.** Comply with all data collection and submission guidelines published in the applicable EOHHS Technical Specifications Manual version listed in **Section 7.6.A** to ensure completeness and accuracy of data submitted;
  - 3.** Meet data submission deadlines set forth in **Section 7.6.A**. Failure to timely submit all data and reporting in the form and formats required by EOHHS may render the Hospital ineligible for some or all payments under **Section 7** of this RFA;
  - 4.** Identify and authorize individuals to conduct electronic data transactions, via the EOHHS designated secure portal, on the Hospital's behalf;

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5. Meet the minimum reliability standards for data elements and pass data validation as defined in **Section 7.4.B**; and
  6. Achieve quality standards and performance benchmarks on reported measures data.
- F. All Hospitals contracting with EOHHS are required to participate in P4P quality reporting for all applicable measures. A Hospital's performance with respect to the requirements in **Section 7** may affect its participation in the MassHealth program and its rate of reimbursement.

### 7.2 Hospital Key Quality Representative Requirements

Each Hospital must identify and designate two key quality representatives, with the appropriate expertise to coordinate and communicate with EOHHS on all aspects of **Section 7** requirements during the Contract period. The two key quality representatives shall act in accordance with, but not be limited to, the following responsibilities:

- A. Serve as the primary contact for all correspondence pertinent to the Hospital's quality performance reports, including responding to all inquiries and requests made by EOHHS, in accordance with the timeframes and format specified by EOHHS.
- B. Notify EOHHS of any changes in the key quality representatives that occur during the Contract period as soon as the information becomes available, using the *Hospital Quality Contacts Form*;
- C. Use the mailbox address: [Masshealthhospitalquality@state.ma.us](mailto:Masshealthhospitalquality@state.ma.us) to expedite communication between EOHHS and the Hospital on **Section 7** requirements and comply with the following conditions that apply to use of this e-mail address:
  1. Only the two key quality representatives are automatically entered into the e-mail distribution list of the EOHHS mailbox system. Requests to add other staff not listed on the Hospital Quality Contact Form to this mailbox must be requested in writing.
  2. Key quality representatives will receive ongoing updates from the EOHHS mailbox system on quality reporting requirements and other quality-related initiatives during the Contract period.
  3. Key quality representatives are responsible for disseminating updates sent from the EOHHS private mailbox system and communicating to all staff and/or third-party vendors involved in quality performance reporting.
- D. **Reporting Requirement.** Each Hospital must complete and submit information on all staff involved in quality reporting using the *Hospital Quality Contacts Form* per instructions in **Section 7.6.E** by the due date set forth in **Section 7.6.A**.

### 7.3 Hospital Quality Performance Measures

Hospitals are required to collect and submit data on all quality measures for which they are eligible to report based on the measure's patient population definitions, treatment of conditions and types of services

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provided. **Table 7-1** identifies the specific hospital quality measures by measure ID number and name that apply for RFA18 reporting.

**Table 7-1. Hospital Quality Performance Measures**

Measure ID #	Measure Set and Name	Measure Reporting Status
MAT-4 MAT-5	<b>Maternity Measure Set</b> Cesarean Birth, Nulliparous term singleton vertex Appropriate deep vein thrombosis prophylaxis for cesarean sections	Discontinue after Q4-2017 data
HD-2	<b>Health Disparities Composite Measure</b> Includes Maternity, Care Coordination, Tobacco Treatment, and Newborn measures	Discontinue after Q4-2017 data
CCM-1 CCM-2 CCM-3	<b>Care Coordination Measure Set</b> Reconciled medication list received at discharge (inpatient) Transition record with specified data received at discharge (inpatient) Timely transmission of transition record (inpatient)	Discontinue after Q4-2017 data
ED-1 ED-2	<b>Emergency Department Throughput Measure Set</b> Median time from ED arrival to ED departure for admitted ED patient Median time from admit decision to ED departure for admitted patients	Discontinue after Q4-2017 data
TOB-1 TOB-2 TOB-3	<b>Tobacco Treatment Measure Set</b> Tobacco use screening Tobacco use treatment provided or offered Tobacco use treatment provided or offered at discharge	Discontinue after Q4-2017 data
NEWB-1 NEWB-2	<b>Newborn Measure Set</b> Exclusive breast milk feeding Newborn Bilirubin screening	Discontinue after Q4-2017 data

**A. Quality Performance Measure Sets.** The quality performance measure sets listed in **Table 7-1** include individual measures that are part of a measure set and one composite measure (HD-2). In RY18, Hospitals must continue to collect and report calendar year 2017 data (only) on these measures which were introduced in previous RFA rate years.

1. *Maternity Measure Set:* In RY18, Hospitals must continue to collect and report on the maternity measures listed in **Table 7-1**, in accordance with the data submission cycle due dates set forth in **Section 7.6.A**.
2. *Care Coordination Measure Set:* In RY18, Hospitals must continue to collect and report on the care coordination measures listed in **Table 7-1**, in accordance with the data submission cycle due dates set forth in **Section 7.6.A**.
3. *Emergency Department Throughput Measure Set:* In RY18, Hospitals must continue to collect and report on the ED-1 and ED-2 measures listed in **Table 7-1**, in accordance with the data submission cycle due dates set forth in **Section 7.6.A**. Hospitals must report on the entire ED-1 and ED-2 measure population strata, as referenced in the applicable *EOHHS Technical Specifications Manual*. However, performance evaluation will be based on ED-1b and ED-2b measures only.

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4. *Tobacco Treatment Measure Set.* In RY18, Hospitals must continue to collect and report on the tobacco treatment measures listed in **Table 7-1**, in accordance with the data submission cycle due dates set forth in **Section 7.6.A**.
  5. *Newborn Measure Set.* In RY18, Hospitals must continue to collect and report on the newborn measures listed in **Table 7-1**, in accordance with the data submission cycles due dates set forth in **Section 7.6.A**.
  6. *Health Disparities Composite Measure:* This composite measure will be comprised of aggregate data from specific individual measures (i.e., the maternity, care coordination, tobacco treatment and newborn measure sets, only), listed in **Table 7-1**, on which the Hospital reports. Hospitals must ensure that all quality measures data that they collect include Race, Hispanic Indicator, and Ethnicity codes and allowable values, as referenced in the applicable *EOHHS Technical Specifications Manual*. In addition, Hospitals must ensure that the sampling of cases requested for chart validation purposes includes proper documentation to verify the Race, Hispanic Indicator, and Ethnicity codes against the quality measures data files.
- B. EOHHS Measure Specifications.** All Hospitals must adhere to the data collection and reporting guidelines contained in the applicable *EOHHS Technical Specifications Manual* version listed in **Section 7.6**, for the reporting of all measures listed in **Table 7-1**. This comprehensive manual contains technical details on data element definitions, ICD-10-CM and ICD-10-PCS code reporting requirements, clinical algorithms for inclusion and exclusions that apply to numerators/denominators, sampling guidelines, data abstraction tools, XML schema, data dictionary, portal system requirements, Medicaid payer source code instructions, race/ethnicity codes, and more. EOHHS updates the *EOHHS Technical Specifications Manual* regularly and changes to reporting become effective with quarter reporting periods as specified in **Table 7-1** of this RFA. Refer to **Section 7.6.A** of this RFA for the appropriate updated versions of the *EOHHS Technical Specifications Manual* for the applicable quarterly data reporting cycle.
- C. All Medicaid Payer Data Collection.** Hospital quality reporting for the measures listed in **Table 7-1** must be collected on all Medicaid payer data. Detailed instructions on all Medicaid payer data reporting requirements, including all relevant Medicaid payer codes resulting from the implementation of the Affordable Care Act, are included in the applicable version of the *EOHHS Technical Specifications Manual* referred to in **Section 7.6.A**.
- D. Data Accuracy and Completeness Requirements.** Hospitals are required to submit complete data on all measures in the form of electronic data files, aggregate ICD patient population data, and proper documentation for chart validation purposes for each quarterly discharge period being reported. The electronic data files must include all cases that meet the inclusion criteria for each measure's eligible patient population, and conform to the XML file layout format with all required MassHealth patient identifier data. Each Hospital must also enter the ICD patient population data that supplements the upload of electronic data files, for each reporting quarter, via the secure portal, in accordance with instructions set forth in the applicable version of *EOHHS Technical Specifications Manual*, by submission deadlines listed in **Table 7-4 of Section 7.6.A**. Each Hospital is required to sign and submit a data accuracy and completeness attestation form, per instructions in **Section 7.6.E** by the due date set forth in **Section 7.6.A**.

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## 7.4 Performance Assessment Methods

Hospital performance will be determined by assessing performance on each measure the Hospital reports on. Performance assessment methods include computing measure rates, data validation scores, performance thresholds, assignment of quality points, and total performance scores, as described below.

**A. Measure Calculation.** Each measure will be calculated using the following methods:

1. *Individual Measure Rate:* Except for the individual ED measures, a measure rate is calculated for each individual measure by dividing the numerator by the denominator, to obtain a percentage for the individual measure. The numerators and denominators for the individual measures listed in **Table 7-1** are further defined in the applicable version of the *EOHHS Technical Specifications Manual* listed in **Section 7.6.A**. The ED measure rates are calculated using a median time outcome from the Hospitals' reported data.
2. *Health Disparities Composite Measure:* The HD-2 measure is calculated by dividing the composite numerator rate by the composite denominator rate for each racial/ethnic group. The composite numerator rate is created by summing the numerators of individual measures and the composite denominator rate is created by summing the denominators of individual measures the Hospital reports on. A separate reference group composite rate is calculated by combining all racial/ethnic groups from the Hospitals' reported data. Each racial/ethnic group composite rate for an individual Hospital is then compared to the reference group composite rate and a between group variance (BGV) statistic is calculated for each racial/ethnic composite group. Each of the racial/ethnic group BGV statistics are summed to yield the final disparity composite value BGV statistic. The composite measure and disparity composite value are calculated only for Hospitals that report on more than one racial group in their electronic data files. The numerators and denominators for this measure are further defined in the applicable *EOHHS Technical Specifications Manual* listed in **Section 7.6.A**. As noted in **Section 7.3.A.6**, only the following individual measure sets – maternity, care coordination, tobacco treatment, and newborn — will be included in the HD-2 composite calculation. The ED measure set will not be included in the HD-2 measure calculation because a median time outcome cannot be combined with a composite rate outcome.

**B. Data Validation Requirements.** All reported measures are subject to data validation that requires meeting the minimum reliability standard of 80 percent for data elements.

Hospitals are considered to have “passed” validation if the overall agreement score of 80 percent, based on the first three quarters (Q1-2017, Q2-2017, and Q3-2017) of data required for performance evaluation, has been met. Passing data validation is required prior to computing a Hospital's performance scores on each measure category pursuant to **Section 7.5**. The applicable *EOHHS Technical Specifications Manual* version, listed in **Section 7.6.A**, provides detailed information on data validation methods that apply to all quality measures.

**C. Individual Measures Performance Assessment.** Each individual measure's performance will be assessed on levels for attainment, improvement and benchmark defined as follows:

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## 1. Setting Performance Thresholds

- a. *Attainment Threshold*: represents the minimum level of performance that must be achieved on each individual measure to earn attainment points. The attainment threshold is defined as the median performance (50<sup>th</sup> percentile) of all hospitals in the previous reporting year.
- b. *Improvement Range*: represents the minimum level of performance achieved above the previous year, but below the benchmark, that must be achieved on each individual measure to earn improvement points; and
- c. *Benchmark Threshold*: represents the highest level (exemplary) performance achieved on each individual measure to earn the maximum amount of quality points. The benchmark performance level is set at the mean of top decile (90<sup>th</sup> percentile) of all hospitals in the previous reporting year.

Performance thresholds on the individual MassHealth-specific measures (maternity, care coordination, tobacco treatment, and newborn) are derived from hospital reported data to calculate minimum attainment thresholds and benchmarks on each individual measure. These performance thresholds are calculated using the previous year All Medicaid payer hospital-reported data. Performance thresholds on the nationally reported measures (emergency department throughput), also required for MassHealth, are calculated using previous year state-level data obtained from the CMS Hospital Compare website.

## 2. Quality Points System. A Hospital's performance on each individual measure reported will be calculated using a quality point system. Hospitals can earn a range of quality points (from 0-10 points) based on where the Hospital's measure rate falls, relative to the attainment, improvement and the benchmark as follows:

- a. *Attainment Points*. A Hospital can earn points for attainment based on relative placement between the attainment and benchmark. If a Hospital's rate for the measure is:
  - i. *Equal to or less than* the attainment threshold, it will receive zero (0) points for attainment.
  - ii. *Within the attainment range (greater than the attainment threshold but below benchmark)* it will receive anywhere from 1 to 9 points for attainment.
  - iii. *Equal to or greater than* the benchmark, it receives 10 points for attainment.
- b. *Improvement Points*. A Hospital can earn points for improvement based on how much the Hospital's measure rate has improved from the previous reporting year period. If a Hospital's rate for the measure is:
  - i. *Equal to or less than* previous year, it will receive zero (0) points for improvement.
  - ii. *Within the improvement range*, it will receive anywhere from 0 to 9 points for improvement.

## 3. Quality Scoring Criteria. The following criteria apply to awarding quality points for individual measures the Hospital reports on:

- a. *Data Reliability Standard*: If the Hospital has failed validation, per **Section 7.4.B**, in the previous reporting year, data from that period is considered invalid for use in calculating comparative year performance. Therefore, the Hospital would not be eligible for improvement points. However, the Hospital may be eligible for attainment points on each individual

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measure, based on calculation of calendar year 2017 data reported on the measure in RY18, if it passed validation in RY18 and also met the criteria in **Section 7.4.C.3.b** below.

- b. *Awarding Points:*** Attainment or improvement points are awarded only after the hospital has established an initial baseline rate for each eligible measure. The initial baseline rate serves as the starting point used to compare subsequent performance data. Attainment or improvement points are not awarded to a newly reported measure category or when a new sub-measure is reported under an existing category.
- c. *Suboptimal Performance:*** When the attainment and benchmark thresholds for all hospitals indicate suboptimal performance, then no attainment points will be assigned for any hospital (e.g., when improvement would be indicated by an increase in score, but the attainment or benchmark threshold is 0%; or when improvement would be indicated by a decrease in score, but the attainment or benchmark threshold is 100%).

**D. Health Disparities Composite Measure Performance Assessment.** The health disparities composite measure performance will be assessed using the following methods:

### 1. Setting Performance Thresholds

- a. *Decile Ranking Method.*** Performance will be assessed using a method that determines the Hospital's rank, relative to other hospitals, based on the decile ranking system. Hospitals that meet the measure calculation criteria, per **Section 7.4.A.2**, are divided into ten groups (deciles) based on their disparity composite value, so that approximately the same number of hospitals fall within each decile.
- b. *Target Attainment Threshold.*** The target attainment threshold represents the minimum level of performance that must be achieved to earn incentive payments. The target attainment is defined as the boundary for a disparity composite value that falls above the 2<sup>nd</sup> decile group, as shown in **Table 7-2** below.

### 2. Disparity Composite Scoring Method

- a. *Disparity Composite Value Ranking.*** All Hospital disparity composite between group variance (BGV) values, computed per **Section 7.4.A.2**, are rounded to six decimal places. All disparity composite BGV values are ranked from highest to lowest so that approximately the same number of hospitals fall into each decile group. Hospitals that do not meet data validation standards set forth in **Section 7.4.B** are excluded from decile ranking.
- b. *Conversion Factor.*** Each decile group is assigned a weighted conversion factor associated with the decile threshold, as shown in **Table 7-2** below.

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**Table 7-2. Disparity Decile Performance Thresholds**

Performance Threshold	Decile Group	Conversion Factor
Top Decile	10 <sup>th</sup> decile	1.0
	9 <sup>th</sup> decile	.90
	8 <sup>th</sup> decile	.80
	7 <sup>th</sup> decile	.70
	6 <sup>th</sup> decile	.60
	5 <sup>th</sup> decile	.50
	4 <sup>th</sup> decile	.40
	3 <sup>rd</sup> decile	.30
<b>Target Attainment</b>		
Lower Deciles	2 <sup>nd</sup> decile	(zero)
	1 <sup>st</sup> decile	(zero)

To meet the target attainment threshold, the Hospital’s disparity composite BGV value must exceed the value above the 2<sup>nd</sup> decile cut-off point to fall into the next decile. Disparity composite BGV values that fall into the 1<sup>st</sup> and 2<sup>nd</sup> decile group are assigned a conversion factor of zero. All disparity composite BGV values that fall within the same given decile group are assigned the same conversion factor.

**E. Performance Score Calculations.** A Hospital’s performance score for the individual and health disparities composite measures will be computed using the methods described below:

**1) Individual Measures.** A Hospital’s performance score, for each individual measure it is eligible to report on, is calculated based on the quality point system methods outlined in **Section 7.4.C** of this RFA. The following methods apply to computing the points earned:

i. **Attainment Points.** The number of “attainment points” a Hospital receives is determined by the ratio of the difference between the Hospital’s measure rate and the attainment threshold divided by the difference between the *benchmark* and the *attainment threshold*. This ratio is multiplied by 9 and increased by 0.5. The Hospital’s “attainment points” will be calculated based on the following formula:

$\frac{\text{Hospital's Measure Rate} - \text{Attainment}}{\text{Benchmark} - \text{Attainment}}$	$\times 9 + 0.5 = \text{Hospital's Attainment Points Earned}$
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ii. **Improvement Points.** The number of “improvement points” a Hospital receives is determined by the ratio of the difference between the Hospital’s Current Measure Rate and the Previous Year’s Measure Rate divided by the difference between the benchmark and the Previous Year’s Measure Rate. This ratio is multiplied by 10 and decreased by 0.5. The Hospital’s “improvement points” will be calculated based on the following formula:

$\frac{\text{Current Measure Rate} - \text{Previous Year's Measure Rate}}{\text{Benchmark} - \text{Previous Year's Measure Rate}}$	$\times 10 - 0.5 = \text{Hospital's Improvement Points Earned}$
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All attainment and improvement points earned will be rounded to the nearest whole number (e.g., 3.3 = 3.0 and 3.5 = 4.0).

- iii. **Total Performance Score.** The total performance score, for the individual measures, reflects a percentage of quality points earned out of the total possible points for each measure category, pursuant to **Section 7.5**. For each quality measure category, the quality points awarded are the higher of the attainment or the improvements points earned. The total awarded quality points for each measure category is divided by the total possible points to obtain the total performance score based on the following formula:

Total Awarded Points	× 100% = Total Performance Score
Total Possible Points	

- 2) **Health Disparities Composite Measure Performance Score.** The performance score for the health disparities measure reflects the equivalent of the assigned conversion factor, per **Section 7.4.D**, that is calculated based on the following formula:

(Conversion Factor) x 100% = Composite Performance Score
--

**F. Performance Evaluation Periods.** In RY18, the following performance evaluation periods apply:

1. **Individual Measures:** Individual measures will be evaluated using calendar year measures data reported for the comparison year (January 1, 2017 to December 31, 2017 discharge period) and previous year’s reported data (January 1, 2016 to December 31, 2016 discharge period). For detailed information about comparative performance periods that apply to individual measures, refer to the applicable *EOHHS Technical Specifications Manual* version listed in **Section 7.6.A**.
2. **Health Disparities Composite Measure:** Each Hospital’s performance will be evaluated using all applicable measures data reported, pursuant to **Section 7.4.A.2**, for the calendar year (January 1, 2017 to December 31, 2017) discharge periods *only*. The decile ranking method evaluates performance on a year-by-year basis and does not use comparison year data. The Hospital’s performance rank will be determined using the decile ranking method described in **Section 7.4.D**.

### 7.5 Pay-for-Performance (P4P) Incentive Payment Calculation Methods

As set forth in **Section 7.4** of this RFA, a Hospital may qualify to earn P4P incentive payments if it meets data completeness requirements, data validation requirements and achieves performance thresholds for measures listed in **Section 7.3** of this RFA. Each measure set’s performance is calculated from the calendar year reported data, using the methods outlined in **Section 7.4** to produce performance scores that are converted into incentive payments. This section describes the methods used to convert individual and composite measure performance scores into hospital incentive payments.

- A. Incentive Payment Approach.** In RY18, incentive payments will be based on pay-for-performance. Incentive payments for the measure sets listed in **Table 7-1** will be contingent on meeting data completeness, data validation standards and achieving performance thresholds set forth under **Section 7.4** of this RFA.

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**B. Payment Calculation.** Incentive payments for each quality measure category will be calculated using methods described below.

1. *Maximum Allocated Amount.* Incentive payments under the RFA may cumulatively total no more than the maximum amount allotted for each quality measure category in **Table 7-3** below.

**Table 7-3. Payment Calculation Components**

Quality Measure Category	Maximum Allocated Amount	Estimated Eligible Medicaid Discharges	Estimated Per Discharge Amount
Maternity	\$ 6,000,000	8,290	\$723.76
Care Coordination	\$ 6,000,000	39,495	\$151.92
Health Disparities Composite	\$ 2,000,000	51,645	\$ 38.73
Emergency Department Throughput	\$ 4,000,000	21,239	\$ 188.33
Tobacco Treatment	\$ 4,000,000	33,812	\$ 118.30
Newborn	\$ 3,000,000	11,557	\$ 259.58
<b>TOTAL</b>	<b>\$25,000,000</b>	—	—

2. *Eligible Medicaid Discharges.* For purposes of **Section 7.5**, “MMIS Discharge Data” refers to acute inpatient hospital discharge data from MMIS paid claims for PCC Plan and Fee-for-Service discharges only, for which MassHealth is the primary payer, as of a date to be determined by EOHHS. The estimated eligible Medicaid discharges and estimated per-discharge amount for each measure category, listed in **Table 7-3**, are calculated based on FY16 MMIS Discharge Data. The actual final eligible Medicaid discharges and final per-discharge amounts for each quality measure category listed in **Table 7-3** will be calculated based on FY17 MMIS Discharge Data, using the methods set forth in subsections a. and b., below, as applicable.
  - a. **Individual Measure Categories.** For the applicable individual measures listed in **Table 7-1** (i.e., maternity, care coordination, emergency department, tobacco treatment and newborn), the eligible Medicaid discharges are determined based on the number of Hospital discharges in the FY17 MMIS Discharge Data as described in **Section 7.5.B.2**, as determined by EOHHS, and which meet the International Classification of Diseases (ICD) population requirements referenced in the EOHHS *Technical Specifications Manual* for each measure category the hospital reported on, pursuant to **Section 7.3**.
  - b. **Health Disparities Composite Measure Category.** For the Health Disparities Composite Measure Category (HD-2), the eligible Medicaid discharges will be determined based on the total number of “unique discharges” from the underlying individual measure categories considered as a whole, so that each unique discharge is only counted once. A unique discharge is a single paid claim from the FY17 MMIS Discharge Data for a hospital discharge that meets the ICD population requirement for one or more of the individual measure categories (maternity, care coordination, tobacco treatment and newborn) that the hospital reported on, and that meet the criteria for the HD-2 composite measure calculation per **Section 7.4.A.2**.

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3. *Quality Measure Category per Discharge Amount.* **Table 7-3** above estimates the per-discharge amount based on FY16 MMIS Discharge Data. The final per-discharge amounts will be determined based upon FY17 MMIS Discharge Data for each measure category. To determine these amounts, EOHHS will use the following formula:

Maximum Allocated Amount	= Quality Measure Category per-Discharge Amount
Statewide Eligible Medicaid Discharges	

For each quality measure category, EOHHS has established a maximum allocated amount, specified in **Table 7-3**. The maximum allocated amount will be divided by the statewide eligible Medicaid discharges across all Hospitals eligible to report on that measure category, to determine the per-discharge amount for each measure category.

- C. Incentive Payment Formulas.** Payments for each quality measure category will be calculated based on the following formulas:

- a. Individual Measure Categories:** Incentive payments will be calculated by multiplying the Hospital’s eligible Medicaid discharges by quality measure category per-discharge amount by the total performance score, per **Section 7.4.E** using the following formula:

$\frac{\text{(Hospital's Eligible Medicaid discharges)} \times \text{(Quality Measure Category per-Discharge Amount)}}{\text{(Total Performance Score)}}$	= Hospital P4P Payment Individual Measure Category
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- b. Health Disparities Composite Measure:** Incentive payments will be calculated by multiplying the Hospital’s eligible Medicaid discharges by quality measure category per-discharge amount by the composite performance score per **Section 7.4.E** using the following formula:

$\frac{\text{(Hospital's Eligible Medicaid discharges)} \times \text{(Quality Measure Category per-Discharge Amount)}}{\text{(Composite Performance Score)}}$	= Hospital P4P Payment Health Disparity Measure Category
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A Hospital’s total incentive payment will be the sum of the P4P incentive payments for each quality measure category for which the Hospital qualifies for payment. This aggregate sum is also referred to as the “Hospital’s Final RY18 RFA Total P4P Payment Amount”.

### 7.6 Pay-for-Performance Reporting Requirements

Each Hospital must submit all information required for each measure listed in **Section 7.3** and comply in accordance with reporting requirements set forth below.

- A. Data Submission Timelines.** All measures data for the hospital quality performance measures listed in **Section 7.3** must be submitted in quarter reporting cycles on the due dates noted in **Table 7-4**.

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The hospital hard-copy forms must be submitted per instructions set forth below under **Section 7.6.E**.

**Table 7-4. Data Submission Timelines**

Submission Due Date	Data Submission Requirement	Data Reporting Format	Reporting Instructions
<b>October 2, 2017</b>	<ul style="list-style-type: none"> <li>• Hospital Quality Contacts Form</li> <li>• Hospital Data Accuracy and Completeness Attestation Form</li> </ul>	HospContact_2018 Form HospDACA_2018 Form	RFA Section 7.2.D RFA Section 7.6.E
<b>Nov 17, 2017</b>	<ul style="list-style-type: none"> <li>• Q2-2017 (Apr – June 2017)</li> <li>• Q2-2017 ICD population data</li> </ul>	Electronic Data Files; and ICD online data entry form (via MassQEX Portal)	Technical Specs Manual (Version 10.0)
<b>Feb 16, 2018</b>	<ul style="list-style-type: none"> <li>• Q3-2017 (July – Sept 2017)</li> <li>• Q3-2017 ICD population data</li> </ul>	Electronic Data Files; and ICD online data entry form (via MassQEX Portal)	Technical Specs Manual (Version 11.0)
<b>May 11, 2018</b>	<ul style="list-style-type: none"> <li>• Q4-2017 (Oct – Dec 2017)</li> <li>• Q4-2017 ICD population data</li> </ul>	Electronic Data Files; and ICD online data entry form (via MassQEX Portal)	Technical Specs Manual (Version 11.0)

**B. Data Reporting Format.** All electronic data must be submitted using the following formats:

**1. MassHealth Quality Exchange (MassQEX) Portal.** EOHHS has designated the MassQEX website as the secure portal for the submission of all electronic data files required in **Section 7.3** that meets HIPAA requirements to ensure data confidentiality is protected. All Hospitals must identify and authorize staff that will conduct data transactions on their behalf, plus meet portal system requirements. All users of the MassQEX portal system are required to complete the on-line registration form via the website, which requires authorization from the Hospital’s Chief Executive Officer and the EOHHS vendor to establish user accounts for uploading data, per instructions set forth in the *EOHHS Technical Specifications Manual*. The MassQEX web portal can only be accessed by registered users through the following URL:

<http://www.mass.gov/eohhs/provider/insurance/masshealth/massqex/>

**2. ICD On-line Data Entry Form.** All aggregate ICD patient population data must be reported via the secure web portal using the on-line data entry form. This form is only visible to registered users after they have logged into the MassQEX system. Hospitals must comply with ICD data entry for each quarterly submission cycle even when the hospital has zero cases to report during a given quarter. Only Hospitals, and not third-party data vendors, are authorized to enter ICD data. Instructions on how to access and enter the ICD data are contained in the appropriate *EOHHS Technical Specifications Manual*.

**C. Technical Specifications Manual.** EOHHS publishes a comprehensive manual as a supplement to this RFA, which contains technical instructions, as described in **Section 7.3**, to assist hospitals in data collection and reporting of measures required in **Section 7.3**. The contents of this manual may be updated during the contract Rate Year to clarify measurement and reporting instructions as needed. Hospitals are responsible for downloading and using the appropriate versions of EOHHS Technical Specifications Manual that apply to each quarterly discharge data period being collected and submitted, as noted in **Section 7.6.A**. Failure to adhere to appropriate versions of the manual will result in the portal rejecting clinical data files. All versions of the manuals are available on the MassQEX website at <http://www.mass.gov/eohhs/provider/insurance/masshealth/massqex/> (click on the “EOHHS Technical Specifications Manual” link).

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**D. Third-Party Data Vendors.** Hospitals can identify third-party vendors to conduct clinical data file transactions on their behalf via the MassQEX secure portal. Third-party data vendors must follow the registration process and establish user accounts, if previously authorized by the Hospital. Hospitals are responsible for communicating directly with their data vendors on all aspects of data reporting requirements set forth in **Section 7** of this RFA, including adherence to the appropriate versions of the EOHHS Technical Specifications Manual to ensure completeness and accuracy of data files submitted on the Hospital's behalf.

### E. Hard Copy Reporting Forms

1. **Hospital Quality Contact Form.** Each Hospital must complete and submit information on all staff involved in quality reporting using the HospContact\_2018.pdf fillable form. This form is due at the beginning of the rate year and must be resubmitted when any change in key quality representatives and MassQEX portal users listed occurs.
2. **Hospital Data Accuracy and Completeness Attestation Form.** Each Hospital must submit this form to acknowledge data completeness requirements pursuant to **Section 7.3.D** using the HospDACA\_2108.pdf fillable form. This form must be signed by the Hospital's chief executive officer and is due at the beginning of each rate year and must be resubmitted when any change to Hospital CEO occurs.

Electronic versions of these forms are posted on the Mass.gov page titled "MassHealth Quality Exchange" at: <http://www.mass.gov/eohhs/provider/insurance/masshealth/massqex/>. The forms can also be obtained by sending a request to the EOHHS business mailbox at [Masshealthhospitalquality@state.ma.us](mailto:Masshealthhospitalquality@state.ma.us).

Hospitals must mail **one** hard copy of the Hospital Quality Contacts Form and the Hospital Data Accuracy and Completeness Attestation Form, with a typed cover letter using Hospital stationery that identifies content enclosed, to EOHHS using the following address:

Iris Garcia-Caban  
Executive Office of Health and Human Services  
MassHealth Office of Providers and Plans  
**Attention:** Acute Hospital P4P Program  
100 Hancock Street, 6th Floor  
Quincy, MA 02171

Hard-copy submissions must be postmarked by close of business on the due date specified in **Table 7-4**.

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## Section 8: Other Quality- and Performance-Based Payments

The following provisions regarding Potentially Preventable Readmissions (PPRs), Provider Preventable Conditions (PPCs), and Serious Reportable Events (SREs), reflect and further EOHHS' commitment to value-based purchasing and to help ensure safer and cost-effective care delivery to MassHealth members by encouraging Hospitals to establish measures and actions to actively improve performance in patient care safety, reduce readmissions, and avoid preventable errors.

EOHHS may reevaluate MassHealth's potentially preventable readmission (PPR) policy as set forth in **Section 8.1**, below, and MassHealth's approach to reducing Hospital readmissions for future rate years.

### 8.1 30-day Potentially Preventable Readmissions (PPRs)

RY18 is bifurcated into the 1<sup>st</sup> RY18 Period and 2<sup>nd</sup> RY18 Period for purposes of applying the Potentially Preventable Readmissions (PPR) adjustment as part of the APAD, Outlier Payment and Transfer per Diem payment methodologies set forth in **Sections 5.B.1** through **5.B.3**. The 1<sup>st</sup> RY18 Period PPR adjustment applies when the 1<sup>st</sup> RY18 Period APAD, Outlier Payment or Transfer per Diem payment methodology(ies) apply. The 2<sup>nd</sup> RY18 Period PPR adjustment applies when the 2<sup>nd</sup> RY18 Period APAD, Outlier Payment or Transfer per Diem payment methodology(ies) apply.

#### **1<sup>st</sup> RY18 Period PPR Adjustment**

The Hospital's PPR adjustment for the 1<sup>st</sup> RY18 Period (if applicable) is equal to the Hospital's "PPR Percentage Payment Reduction per Discharge" that was in effect on September 30, 2017, calculated using the PPR methodology set forth in Section 8.1 of the EOHHS Office of Medicaid Rate Year 2017 Acute Hospital Request for Applications (RY17 RFA). The Hospital's 1<sup>st</sup> RY18 Period PPR Percentage Payment Reduction per Discharge is applied against the sum of the Pre-Adjusted APAD and Outlier Payment for discharges that qualify for an Outlier Payment under the 1<sup>st</sup> RY18 Period methodology (see **Section 5.B.2**). It is applied against the Pre-Adjusted APAD for discharges that are paid under the 1<sup>st</sup> RY18 Period APAD methodology and which do not qualify for an Outlier Payment (see **Section 5.B.1**). These PPR reductions apply when calculating the Transfer per diem rate, and when capping the Transfer per diem at the Total Transfer Payment Cap under **Section 5.B.3**, as applicable to the 1<sup>st</sup> RY18 Period.

#### **2<sup>nd</sup> RY18 Period PPR Adjustment**

The Hospital's PPR adjustment for the 2<sup>nd</sup> RY18 Period (if applicable) is equal to the Hospital's RY18 "PPR Percentage Payment Reduction per Discharge" calculated as set forth below in the remainder of **Section 8.1**. The remainder of **Section 8.1**, below, applies solely to the calculation of the PPR adjustment for purposes of the 2<sup>nd</sup> RY18 Period, and does not apply to the 1<sup>st</sup> RY18 Period.

Hospitals with a greater number of Actual Potentially Preventable Readmission (PPR) Chains than Expected PPR Chains, based on data specified in **8.1.B** will be subject to a percentage payment reduction per discharge calculated using the methodology described below. This reduction will be applied to Hospitals identified using the methodology described below.

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## A. Definitions

**Actual PPR Chains:** The actual number of PPR Chains for a specific Hospital.

**Actual PPR Volume:** The number of Actual PPR Chains for the time period.

**Actual PPR Rate:** The number of Initial Admissions with one or more qualifying Clinically Related PPRs within a 30-day period divided by the total number of At-risk Admissions.

**APR-DRG:** The All Patient Refined-Diagnostic Related Group and Severity of Illness (SOI) combination assigned using the 3M PPR Grouper, version 33.

**At-risk Admissions:** The number of Total Admissions considered at risk for readmission, as determined by the 3M PPR methodology, excluding mental health and substance abuse primary diagnoses.

**Clinically Related:** A requirement that the underlying reason for readmission be plausibly related to the care rendered during or immediately following a prior Hospital admission.

**Expected PPR Chains:** The number of PPR Chains a Hospital, given its mix of patients as defined by APR-DRG category, would have experienced had its rate of PPRs been identical to that experienced by a reference or normative set of Hospitals.

**Expected PPR Rate:** The number of Expected PPR Chains divided by the total number of At-risk Admissions. The expected rate for each APR-DRG is the statewide average Actual PPR Rate for that APR-DRG.

**Excess PPR Volume:** The number of Actual PPR Chains above the number of Expected PPR Chains, as calculated by the 3M PPR methodology, for a specific Hospital. For a Hospital for which the number of Actual PPR Chains is equal to or less than the number of Expected PPR Chains, there is no Excess PPR Volume.

**Hospital Discharge Volume:** The number of Hospital discharges in FY16 for which an APAD was paid, as determined by EOHHS based on claims residing in MMIS as of June 7, 2017 and for which MassHealth is the primary payer.

**Initial Admission:** An admission that is followed by a Clinically Related readmission within a specified readmission time interval. Subsequent readmissions relate back to the care rendered during or following the Initial Admission. The Initial Admission initiates a PPR Chain.

**Potentially Preventable Readmission (PPR):** A readmission (return hospitalization within the specified readmission time interval) that is Clinically Related to the Initial Admission.

**PPR Chain:** A PPR or a sequence of PPRs. A PPR Chain can extend beyond 30 days, as long as the time between each discharge and subsequent readmission is within the 30-day time frame. Therefore, if Patient X is admitted on October 4<sup>th</sup>, readmitted on October 20<sup>th</sup>, and readmitted again on November 18<sup>th</sup>, that sequence is calculated as one (1) PPR Chain.

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**Readmission:** A return hospitalization to an acute care Hospital that follows a prior Initial Admission from an acute care Hospital. Intervening admissions to non-acute care facilities are not considered readmissions. A readmission may be to an in-state or out-of-state acute care Hospital.

**Total Admissions:** The total number of Medicaid FFS/PCC Plan admissions for the time period.

## B. Determination of Readmission Rates and Volumes

PPRs are identified in adjudicated and paid inpatient Hospital claims residing in MMIS as of June 7, 2017, for which MassHealth is the primary payer, by using the 3M PPR software version 33. The time period for identifying Total and At-risk Admissions was from October 1, 2015 to August 31, 2016, based on date of discharge. The time period for identifying PPRs associated with these At-risk Admissions was from October 1, 2015 to September 30, 2016 based on date of admission. The At-risk Admissions and the Actual PPR Chains for Baystate Mary Lane Hospital, which was merged into Baystate Wing Hospital, were included in the calculations for Baystate Wing Hospital. The At-risk Admissions and Actual PPR Chains for the specialty hospitals of Dana Farber Cancer Institute and the Massachusetts Eye and Ear Infirmary and those at out-of-state hospitals were not included in the calculation of the Expected PPR Rate.

### 1. Statewide Average PPR Rate

The statewide average Actual PPR Rate for each APR-DRG is calculated and represents the PPR benchmark for that APR-DRG.

### 2. Hospital-specific Actual PPR Volume

Each Hospital's Actual PPR Volume is the number of PPR Chains in the specified time period.

### 3. Hospital-specific Expected PPR Volume

In order to derive the Hospital-specific Expected PPR Volume, the statewide average Actual PPR Rates for each APR-DRG are applied to each Hospital's volume of At-risk Admissions by APR-DRG for the time period specified above and summed across all of the Hospital's APR-DRGs.

The Expected PPR Volume therefore reflects how a given Hospital should have performed on each APR-DRG recorded in their MMIS claims, as specified in **Section 8.1.B**.

### 4. Hospital-specific Excess PPR Volume

The Hospital-specific Excess PPR Volume is calculated as the number of Actual PPR Chains in excess of the number of Expected PPR Chains, as calculated by the 3M PPR methodology, for a specific Hospital. For a Hospital for which the number of Actual PPR Chains is equal to or less than the number of Expected PPR Chains, there is no Excess PPR Volume.

### 5. Hospital-specific Actual PPR Rate

Each Hospital's Actual PPR Rate is derived by dividing the number of Actual PPR Chains in the specified time period by the total number of At-risk Admissions.

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## 6. Hospital-specific Expected PPR Rate

In order to derive the Hospital-specific Expected PPR Rate, the statewide average Actual PPR Rates for each APR-DRG are applied to each Hospital's volume of At-risk Admissions by APR-DRG casemix. The Expected PPR Rate is therefore risk-adjusted and reflects how a given Hospital should have performed on each APR-DRG for the time period specified above.

## 7. Hospital-specific Actual-to-Expected PPR Ratio

Each Hospital's Actual-to-Expected (A:E) ratio is calculated as:

$$\text{Actual PPR Rate} / \text{Expected PPR Rate}$$

## C. Calculation of PPR Percentage Payment Reduction Per Discharge

### 1. General Initial Calculation

Hospitals with Excess PPR Volume are subject to a PPR Percentage Payment Reduction per Discharge, applied as set forth in **Section 8.1.F**, below. This per discharge reduction is expressed as a percentage. Only Hospitals with more than 40 At-Risk Admissions are subject to a PPR Percentage Payment Reduction per Discharge, if applicable.

Each Hospital's PPR Percentage Payment Reduction per Discharge will initially be calculated as follows:

$$\begin{aligned} & - [(\text{Hospital-Specific Excess PPR Volume}) \times (\text{Adjustment Factor})] / (\text{Hospital Discharge Volume}) \\ & = \\ & \text{Hospital's Non-Improvement-Adjusted PPR Percentage Payment Reduction per Discharge} \end{aligned}$$

The result will be reflected as a negative value. The negative value illustrates this is a rate reduction.

The "Adjustment Factor" for RY18 is 3 and is a multiplier intended to provide incentive for Hospitals to identify and implement methods to reduce PPRs.

The remainder of the calculation depends on whether a Hospital qualifies for an Improvement Adjustment in accordance with **Section 8.1.D** below.

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## 2. Hospitals not Qualifying for Improvement Adjustment

A Hospital with Excess PPR Volume that does not qualify for an Improvement Adjustment in accordance with **Section 8.1.D**, below, will be subject to a “PPR Percentage Payment Reduction per Discharge” equal to the amount calculated as the Hospital’s Non-Improvement-Adjusted PPR Payment Reduction per Discharge under **Section 8.1.C.1** above.

## 3. Hospitals Qualifying for Improvement Adjustment

A Hospital with Excess PPR Volume that does qualify for an Improvement Adjustment in accordance with **Section 8.1.D**, below, will be subject to a “PPR Percentage Payment Reduction per Discharge” that is calculated as follows:

$\frac{\text{Actual to Expected PPR Ratio RY 18}}{\text{Actual to Expected PPR Ratio RY17}} \times \text{Hospital's Non-Improvement-Adjusted PPR Percentage Payment Reduction per Discharge}$
$= \text{Hospital's PPR Percentage Payment Reduction per Discharge}$

The result will be reflected as a negative value. The negative value illustrates this is a rate reduction.

## D. Improvement Adjustment

If a Hospital has Excess PPR Volume for RY18 but has achieved an improvement as indicated by a decrease to its Actual-to-Expected PPR Ratio in RY18 compared to RY17, EOHHS shall adjust downward the PPR Percentage Payment Reduction per Discharge that the Hospital would otherwise receive. This “Improvement Adjustment” is calculated by applying the percent decrease in the Hospital’s RY18 Actual-to-Expected PPR Ratio from RY17 to the Hospital’s Non-Improvement-Adjusted PPR Percentage Payment Reduction per Discharge. For example, if a Hospital had a RY17 Actual-to-Expected PPR Ratio of 1.30 and a RY18 Actual-to-Expected PPR Ratio of 1.17, which is a decrease of 10%, and a RY18 Non-Improvement-Adjusted PPR Percentage Payment Reduction per Discharge of -3%, its RY18 PPR Percentage Payment Reduction per Discharge would be adjusted as follows:

Hospital’s PPR Percentage Payment Reduction per Discharge =  $1.17/1.30 \times -3\% = 90\% \times -3\% = -2.7\%$  per Discharge. The negative value illustrates this is a rate reduction.

## E. Maximum per-Discharge Adjustment

Notwithstanding **Sections 8.1.C** and **8.1.D**, a Hospital’s PPR Percentage Payment Reduction per Discharge due to the Hospital’s Excess PPR Volume is capped at -4.4%.

## F. Application of PPR Percentage Payment Reduction per Discharge

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The Hospital's RY18 PPR Percentage Payment Reduction per Discharge is applied against the sum of the Pre-Adjusted APAD and Outlier Payment for discharges that qualify for an Outlier Payment under the 2<sup>nd</sup> RY18 Period methodology (see **Section 5.B.2**). It is applied against the Pre-Adjusted APAD for discharges that are paid under the 2<sup>nd</sup> RY18 Period APAD methodology and which do not qualify for an Outlier Payment (see **Section 5.B.1**). These reductions apply when calculating the Transfer per diem rate, and when capping the Transfer per diem at the Total Transfer Payment Cap under **Section 5.B.3**, as applicable to the 2<sup>nd</sup> RY18 Period.

### 8.2 Provider Preventable Conditions

#### A. Introduction

Under Section 2702 of the Patient Protection and Affordable Care Act (Pub. L. 111.-148) (the ACA), and corresponding federal regulations at 42 C.F.R. 447.26, Hospitals must report “provider preventable conditions” to Medicaid agencies; and Medicaid agencies are prohibited from paying Hospitals for services resulting from a “provider preventable condition” in violation of the federal requirements. EOHHS has implemented policies that conform to the federal requirements. The following provisions and payment methods governing “provider preventable conditions” apply to the Hospital, and the Hospital must comply with such provisions.

As part of the MassHealth “provider preventable condition” policy, certain of the “serious reportable events” designated by the Massachusetts Department of Public Health (DPH) pursuant to its regulations at 105 CMR 130.332, as they pertain to MassHealth members, shall be excepted from the requirement that the Hospital shall not charge or seek reimbursement for the event, as described in **Section 8.3**, below. The excepted “serious reportable events” are any “serious reportable events” designated by DPH pursuant to its regulations at 105 CMR 130.332 which are not identified in *Appendix U* of the Hospital's Acute Inpatient Hospital and Acute Outpatient Hospital MassHealth provider manuals. The Hospital shall bill and report, and related payment adjustments shall be made for, these excepted “serious reportable events” as “provider preventable conditions” in accordance with this **Section 8.2** governing Provider Preventable Conditions. The Hospital also shall continue to perform the documented review process and determination for these events, as further described in **Section 8.2.F**, below, solely for the purposes of reporting to DPH. The remaining “serious reportable events” identified in *Appendix U* of the Hospital's Acute Inpatient Hospital and Acute Outpatient Hospital MassHealth provider manuals shall be governed entirely by the Serious Reportable Events provisions in **Section 8.3**, below.

#### B. Definitions

The following definitions apply to this **Section 8.2**:

1. Provider Preventable Condition (PPC) — a condition that meets the definition of a “Health Care Acquired Condition” or an “Other Provider Preventable Condition” as defined by CMS in federal regulations at 42 C.F.R. 447.26(b).
2. Health Care Acquired Conditions (HCACs) – conditions occurring in an inpatient hospital setting, which Medicare designates as hospital-acquired conditions (HACs) pursuant to Section 1886(d)(4)(D)(iv) of the Social Security Act (SSA) (as described in Section 1886(d)(4)(D)(ii) and

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(iv) of the SSA), with the exception of deep vein thrombosis (DVT)/pulmonary embolism (PE) as related to total knee replacement or hip replacement surgery in pediatric and obstetric patients.

3. Other Provider Preventable Condition (OPPC) — a condition that meets the requirements of an “Other Provider Preventable Condition” pursuant to 42 C.F.R. 447.26(b). OPPCs may occur in any health care setting and are divided into two sub-categories:
  - a) National Coverage Determinations (NCDs) — The NCDs are mandatory OPPCs under 42 C.F.R. 447.26(b) and consist of the following:
    - A. Wrong surgical or other invasive procedure performed on a patient;
    - B. Surgical or other invasive procedure performed on the wrong body part; and
    - C. Surgical or other invasive procedure performed on the wrong patient.For each of A. through C., above, the term “surgical or other invasive procedure” is as defined in CMS Medicare guidance on NCDs.
  - b) Additional Other Provider Preventable Condition (Additional OPPCs) — Additional OPPCs are state-defined OPPCs that meet the requirements of 42 C.F.R. 447.26(b). EOHHS has designated certain conditions as Additional OPPCs.

### C. Hospital Reporting of PPCs to EOHHS

1. *Appendix V* of the Hospital’s Acute Inpatient Hospital and Acute Outpatient Hospital MassHealth provider manuals identifies those PPCs that apply to the Hospital for inpatient and outpatient hospital services and hospital-based physician services, respectively. EOHHS may also provide this information to Hospitals through provider bulletins, or other written statements of policy, and all such documentation, including without limitation *Appendix V*, may be amended from time to time.
2. Hospitals must report the occurrence of a PPC and PPC-related services through MMIS claims submissions to MassHealth. Hospital reporting of PPCs, and related claims submissions, must be conducted in accordance with applicable MassHealth regulations, provider manuals and billing instructions, including without limitation as set forth in *Appendix V* of the MassHealth Acute Inpatient Hospital and Acute Outpatient Hospital provider manual, respectively. EOHHS may also provide such instructions through provider bulletins, or other written statements of policy, and all such documentation, including without limitation, *Appendix V*, may be amended from time to time.
3. In accordance with state and federal statutes, rules, and regulations governing the MassHealth program, including but not limited to 130 CMR 415.000 *et seq.* (Acute Inpatient Hospitals); 130 CMR 410.000 *et seq.* (Acute Outpatient Hospitals) and 130 CMR 450.000, *et seq.* (administrative and billing instructions), EOHHS may request additional information from the Hospital which EOHHS deems necessary to facilitate its review of any PPC or to carry out payment, provider enrollment, quality or other routine functions of the MassHealth program, and the Hospital must comply with the request. EOHHS may use this information, as well as the reports provided pursuant to **Section 8.2.F**, in reviewing any PPC, and in applying any payment adjustment as set forth in **Section 8.2.D**, below.

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## D. Payment Adjustments to Hospitals for Provider Preventable Conditions

1. **Inpatient Hospital Services** – For inpatient hospital services, when a Hospital reports a PPC that the Hospital indicates was not present on admission, EOHHS will reduce payments to the Hospital as follows:
  - a. APAD, Outlier Payment and Transfer per diem payments. For inpatient services for which the Hospital would otherwise be paid an APAD, Outlier Payment or Transfer per diem payment:
    - i. MassHealth will not pay the APAD, Outlier Payment, or Transfer per diem payment if the Hospital reports that only PPC-related services were delivered during the inpatient admission, and will exclude all reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.
    - ii. MassHealth will pay the APAD, Outlier Payment or Transfer per diem payment, in each case as adjusted to exclude PPC-related costs/services, if the Hospital reports that non-PPC-related services were also delivered during the inpatient admission, and will exclude all reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.
  - b. Psychiatric, Rehabilitation Unit, or Administrative Day Per Diem payments. For inpatient services for which the Hospital would otherwise be paid a Psychiatric, Rehabilitation Unit or Administrative Day per diem:
    - i. MassHealth will not pay the per diem if the Hospital reports that only PPC-related services were delivered on that day, and will exclude all reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.
    - ii. MassHealth will pay the per diem if the Hospital reports that non-PPC related services were also delivered on that day, but will exclude all reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.
  - c. Inpatient Hospital Payments for Hospital-Based Physician Services: MassHealth will not pay for inpatient Hospital-based physician services reported as PPC-related services.
  - d. Follow-up Care in Same Hospital: If a hospital reports that it provided follow-up inpatient hospital services that were solely the result of a previous PPC (inpatient or outpatient) that occurred while the member was being cared for at a facility covered under the same hospital license, MassHealth will not pay for the reported follow-up services. If the Hospital reports that non-PPC-related services were provided during the follow-up stay, payment will be made, but adjusted in the case of APAD, Outlier Payment or Transfer per diem payments to exclude the PPC-related costs/services, and MassHealth will exclude all reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.

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2. **Outpatient Hospital Services** – For outpatient hospital services, when a Hospital reports that a PPC occurred during treatment at the Hospital (including its satellite clinics), MassHealth will reduce payments to the Hospital as follows:
  - a. APEC. For outpatient services for which the Hospital would otherwise be paid the APEC:
    - i. MassHealth will not pay the APEC if the Hospital reports that only PPC-related services were delivered during the episode of care, and will exclude all reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.
    - ii. MassHealth will pay the APEC, in each case as adjusted to exclude PPC-related costs/services, if the Hospital reports that non-PPC related services were also delivered during the same episode of care, and will exclude all reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.
  - b. Outpatient Hospital Payments for Hospital-Based Physician Services: MassHealth will not pay for outpatient Hospital-based physician services reported as PPC-related services.
  - c. Follow-Up Care in Same Hospital: If a Hospital reports that it provided follow-up outpatient hospital services that were solely the result of a previous PPC (inpatient or outpatient) that occurred while the member was being cared for at a facility covered under the same hospital license, MassHealth will not pay for the reported follow-up services. If the hospital reports that non-PPC-related services were provided during the follow-up episode of care, payment will be made, but adjusted in the case of an APEC payment to exclude PPC-related costs/services, and MassHealth will exclude all PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.
3. For each of subsection **D.1** and **D.2**, above, the PPC non-payment provisions also apply to third-party liability and crossover payments by MassHealth.
4. Hospitals are prohibited from charging members for PPCs and PPC-related services, including without limitation co-payments or deductibles. Hospitals are also prohibited from seeking reimbursement for identified PPC-related services through the Health Safety Net (HSN) or otherwise, and from including such services in any unreimbursed cost reporting.
5. In the event that individual cases are identified throughout the MassHealth PPC implementation period, EOHHS may adjust reimbursement according to the methodology above.

### **E. Additional Requirements**

The Hospital agrees to take such action as is necessary in order for EOHHS to comply with all federal and state laws, regulations, and policy guidance relating to the reporting and non-payment of provider preventable conditions, including, without limitation, Section 2702 of the ACA. In addition, should EOHHS, in its sole discretion, deem it necessary to further amend this RFA and Contract to implement any such laws, the Hospital agrees that, notwithstanding any other provision in this RFA and Contract, EOHHS may terminate the Hospital's Contract immediately upon written notice in the event the Hospital fails to agree to any such amendment.

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## F. Reporting to the Massachusetts Department of Public Health

In addition to complying with **Sections 8.2.A** through **E**, above, for any PPC that is also a “serious reportable event (SRE)” as designated by the Massachusetts Department of Public Health (DPH) pursuant to its regulations at 105 CMR 130.332, the Hospital must also continue to report the occurrence of the PPC as an SRE to DPH, and perform the documented review process as set forth in and in accordance with DPH regulations at 105 CMR 130.332(B) and (C). The Hospital must also provide copies of such reports to EOHHS and any other responsible third-party payer and inform the patient as required by and in accordance with DPH regulations at 105 CMR 130.332(B) and (C). The copies to MassHealth must be sent to:

PPC/Serious Reportable Event Coordinator  
MassHealth  
Utilization Management Department  
100 Hancock Street, 6<sup>th</sup> Floor  
Quincy, MA 02171

Notwithstanding such reporting and documented review process as set forth in 105 CMR 130.332(B) and (C), provider claims to MassHealth and related payment methods for PPCs, including without limitation, those that also constitute a DPH-designated SRE, are governed by this **Section 8.2** and not **Section 8.3**, below.

## 8.3 Serious Reportable Events

### A. Applicability

1. “Serious Reportable Events (SREs)” for purposes of this **Section 8.3** shall mean those serious reportable events (SREs) listed in *Appendix U* of the Hospital’s Acute Inpatient Hospital and Acute Outpatient Hospital MassHealth provider manuals. All references to SREs in **Sections 8.3.B** through **8.3.D**, below, are subject to this **Section 8.3.A**.

From time to time, EOHHS may update the list of SREs that are subject to this **Section 8.3** through issuing provider bulletins or updates to provider manuals, or through other written statements of policy.

2. For purposes of this section, “preventable” is defined as DPH has defined the term in its regulations at 105 CMR 130.332 and means events that could have been avoided by proper adherence to applicable patient safety guidelines, best practices, and hospital policies and procedures.

### B. Scope of Non-Reimbursable Services

1. MassHealth’s SRE policy applies to both Hospitals and Hospital-Based Physicians.
2. Hospitals are prohibited from charging or seeking reimbursement from MassHealth or the member for Hospital and Hospital-Based Physician services that are made necessary by, or are provided as a result of, an SRE occurring on premises covered by the hospital’s license that was preventable,

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within the hospital's control, and unambiguously the result of a system failure, as described in DPH regulations ("preventable SRE"). Non-reimbursable Hospital and Hospital-based physician services include:

- a. All services provided during the inpatient admission or outpatient visit during which a preventable SRE occurred; and
- b. All services provided during readmissions and follow-up outpatient visits as a result of a non-billable SRE provided:
  - (1) At a facility under the same license as the hospital at which a non-billable SRE occurred; or
  - (2) On the premises of a separately licensed hospital or ambulatory surgery center with common ownership or a common corporate parent of the hospital at which a non-billable SRE occurred.
- c. Charges for services, including co-payments or deductibles, deemed non-billable to MassHealth are not billable to the member.
- d. The non-payment provision of this RFA also applies to third-party liability and/or crossover payments by MassHealth.
- e. A Hospital not involved in the occurrence of a preventable SRE that also does not meet the criteria in **Section 8.3.B.2.b**, and that provides inpatient or outpatient services to a patient who previously incurred an SRE, may bill MassHealth for all medically necessary Hospital and Hospital-Based Physician services provided to the patient following a preventable SRE.

### C. Required Reporting and Preventability Determination

1. In accordance with DPH regulations at 105 CMR 130.332(B) and (C), as may be amended, Hospitals must (i) timely report the occurrence of an SRE to DPH and provide copies of the report to required parties, as specified in such regulations, (ii) establish policies for making and documenting preventability determinations following the occurrence of an SRE, (iii) timely make preventability determinations for all SREs occurring on premises covered by the Hospital's license, and (iv) timely submit the preventability determination report to DPH ("updated SRE report"), with copies to all other required parties, as specified in such regulations.
2. A Hospital shall notify the MassHealth program of the occurrence of an SRE by mailing a copy of the report as filed with DPH pursuant to **Section 8.3.C.1** to:

Serious Reportable Event Coordinator  
MassHealth  
Utilization Management Department  
100 Hancock Street, 6<sup>th</sup> Floor  
Quincy, MA 02171

Hospitals shall also use this address to send MassHealth a copy of the updated SRE report as submitted to DPH containing the information as specified under DPH regulations at 105 CMR 130.332.

3. No later than thirty days after the date of initial reporting of the SRE to DPH and MassHealth, if upon completing a preventability determination following the occurrence of an SRE pursuant to **Section 8.3.C.1**, above, the Hospital seeks payment for Inpatient Services or Outpatient Services

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to a MassHealth member, the Hospital shall submit the following required documentation to MassHealth, using the address set forth in **Section 8.3.C.2**, above, so it can review the circumstances of the SRE;

- (1) A copy of the updated SRE report issued to DPH describing the hospital’s preventability determination including, at a minimum, the following:
  - (a) Narrative description of the SRE;
  - (b) Analysis and identification of the root cause of the SRE;
  - (c) Analysis of the preventability criteria required by DPH;
  - (d) Description of any corrective measures taken by the hospital following discovery of the SRE; and
  - (e) Whether the hospital intends to charge or seek reimbursement from MassHealth for services provided at the hospital as a result of the SRE;
- (2) Copies of the hospital policies and procedures related to SREs;
- (3) A copy of the member’s medical record for the inpatient Hospital admission or outpatient episode of care during which the SRE occurred, if the Hospital intends to charge or seek reimbursement for services provided at the Hospital during such admission or episode of care, or for follow-up care as a result of the SRE.

### D. Non-Payment for SREs

1. MassHealth will review the circumstances of the SRE and shall make a determination regarding payment based on the criteria set forth in DPH regulations at 105 CMR 130.332 and above, and utilizing **Table 8-1**, below:

**Table 8-1. MassHealth Non-Payment Methodology, Acute Hospitals**

Payment Component that includes Preventable SRE	Resulting Non-payment
Inpatient acute admission	Non-payment of APAD and Outlier Payments
Inpatient - Transfer Per Diem, Psychiatric Per Diem, Acute Rehabilitation Unit Per Diem, or Administrative Day Per Diem	Non-payment of all per diems associated with the inpatient stay
Outpatient Hospital Services	Non-payment of APEC and any other outpatient services payable under the RFA
Hospital-Based Physician services	Non-payment of physician fees for care associated with the SRE

2. In accordance with state and federal statutes, rules, and regulations governing the MassHealth program, including but not limited to 130 CMR 415.000 *et seq.* (Acute Inpatient Hospitals); 130 CMR 410.000 *et seq.* (Acute Outpatient Hospitals) and 130 CMR 450.000, *et seq.* (administrative and billing instructions), EOHHS may request additional information from the Hospital which EOHHS deems necessary to facilitate its review of any SRE or to carry out payment, quality or other routine functions of the MassHealth program, and the Hospital must comply with the request.

## Attachment B – Public Notice

### In-State Acute Inpatient Hospital Rates 1<sup>st</sup> RY18 Period – Effective 10/1/17 – 2/28/18

	Components of Adjudicated Payment Amount per Discharge (APAD), Outlier Payment, and Transfer Per Diem Rates*										Other Per Diem Rates			
	(*See link at end for Chart C-1: 1st RY18 Period MassHealth DRG Weights and Mean All Payer Lengths of Stay)													
In-State Provider	Statewide Operating Standard per Discharge	Hospital Wage Area	Labor Factor	Wage Adjusted Operating Standard per Discharge	Statewide Capital Standard per Discharge	APAD Base Payment	Hospital Cost-to- Charge Ratio	Potentially Preventable Readmission Adjustment %	Fixed Outlier Threshold	Marginal Cost Factor	Admin Day	Admin Day w. Medicare Part B	Psych per Diem	Rehab per Diem
Anna Jaques Hospital	\$ 9,577.06	0.9024	0.69587	\$ 8,926.62	\$ 629.62	\$ 9,556.24	63.41%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Baystate Franklin Medical Center	\$ 9,577.06	0.8466	0.69587	\$ 8,554.74	\$ 629.62	\$ 9,184.36	63.16%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Baystate Medical Center	\$ 9,577.06	0.8748	0.69587	\$ 8,742.68	\$ 629.62	\$ 9,372.30	50.21%	-0.768%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Baystate Noble Hospital	\$ 9,577.06	0.8466	0.69587	\$ 8,554.74	\$ 629.62	\$ 9,184.36	47.00%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	\$ 754.24
Baystate Wing Hospital	\$ 9,577.06	0.8466	0.69587	\$ 8,554.74	\$ 629.62	\$ 9,184.36	49.10%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Berkshire Medical Center	\$ 9,577.06	0.8954	0.69587	\$ 8,879.96	\$ 629.62	\$ 9,509.58	67.33%	-3.474%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	\$ 754.24
Beth Israel Deaconess Hospital - Milton	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	53.70%	-0.558%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	--	--
Beth Israel Deaconess Hospital - Needham	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	69.42%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	--	--
Beth Israel Deaconess Hospital - Plymouth	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	62.92%	-2.259%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	--	--
Beth Israel Deaconess Medical Center	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	53.10%	-0.098%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Beverly Hospital	\$ 9,577.06	0.9024	0.69587	\$ 8,926.62	\$ 629.62	\$ 9,556.24	66.02%	-0.562%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Boston Medical Center	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	64.68%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	--	--
Brigham & Women's Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	31.46%	-2.261%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	--	--
Brockton Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	45.08%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Cambridge Health Alliance	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	75.19%	-0.093%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Cape Cod Hospital	\$ 9,577.06	1.0773	0.69587	\$ 10,092.22	\$ 629.62	\$ 10,721.84	65.36%	-0.454%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Carney Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	113.90%	-3.646%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Children's Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	58.89%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Clinton Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	47.86%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--

**1<sup>st</sup> RY18 Period In-State Acute Hospital Inpatient Rates**

	Components of Adjudicated Payment Amount per Discharge (APAD), Outlier Payment, and Transfer Per Diem Rates*										Other Per Diem Rates			
	(*See link at end for Chart C-1: 1st RY18 Period MassHealth DRG Weights and Mean All Payer Lengths of Stay)													
In-State Provider	Statewide Operating Standard per Discharge	Hospital Wage Area	Labor Factor	Wage Adjusted Operating Standard per Discharge	Statewide Capital Standard per Discharge	APAD Base Payment	Hospital Cost-to-Charge Ratio	Potentially Preventable Readmission Adjustment %	Fixed Outlier Threshold	Marginal Cost Factor	Admin Day	Admin Day w. Medicare Part B	Psych per Diem	Rehab per Diem
Cooley Dickinson Hospital	\$ 9,577.06	0.8466	0.69587	\$ 8,554.74	\$ 629.62	\$ 9,184.36	52.89%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Dana Farber Cancer Institute	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	31.69%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	--	--
Emerson Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	54.54%	-0.142%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Falmouth Hospital	\$ 9,577.06	1.0773	0.69587	\$ 10,092.22	\$ 629.62	\$ 10,721.84	67.16%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	--	--
Faulkner Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	48.11%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Good Samaritan Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	74.83%	-2.335%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Hallmark Health Systems	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	69.74%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Harrington Memorial Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	74.02%	-1.255%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Health Alliance Hospitals	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	52.47%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	--	--
Heywood Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	61.60%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Holy Family Hospital	\$ 9,577.06	0.9024	0.69587	\$ 8,926.62	\$ 629.62	\$ 9,556.24	63.66%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Holyoke Medical Center	\$ 9,577.06	0.8466	0.69587	\$ 8,554.74	\$ 629.62	\$ 9,184.36	70.36%	-1.319%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Lahey Clinic Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	52.77%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	--	--
Lawrence General Hospital	\$ 9,577.06	0.9024	0.69587	\$ 8,926.62	\$ 629.62	\$ 9,556.24	69.50%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	--	--
Lowell General Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	45.23%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	--	--
Marlborough Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	45.47%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Massachusetts Eye & Ear Infirmary	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	48.48%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	--	--
Massachusetts General Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	30.16%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Mercy Hospital	\$ 9,577.06	0.8466	0.69587	\$ 8,554.74	\$ 629.62	\$ 9,184.36	47.68%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	\$ 754.24
MetroWest Medical Center	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	72.39%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Milford Regional Medical Center	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	54.31%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	--	--

### 1<sup>st</sup> RY18 Period In-State Acute Hospital Inpatient Rates

	Components of Adjudicated Payment Amount per Discharge (APAD), Outlier Payment, and Transfer Per Diem Rates*										Other Per Diem Rates			
	(*See link at end for Chart C-1: 1st RY18 Period MassHealth DRG Weights and Mean All Payer Lengths of Stay)													
In-State Provider	Statewide Operating Standard per Discharge	Hospital Wage Area	Labor Factor	Wage Adjusted Operating Standard per Discharge	Statewide Capital Standard per Discharge	APAD Base Payment	Hospital Cost-to- Charge Ratio	Potentially Preventable Readmission Adjustment %	Fixed Outlier Threshold	Marginal Cost Factor	Admin Day	Admin Day w. Medicare Part B	Psych per Diem	Rehab per Diem
Morton Hospital	\$ 9,577.06	0.9091	0.69587	\$ 8,971.27	\$ 629.62	\$ 9,600.89	75.22%	-0.035%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Mount Auburn Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	58.31%	-0.825%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Nantucket Cottage Hospital	\$ 9,577.06	0.9666	0.69587	\$ 9,354.47	\$ 629.62	\$ 9,984.09	108.14%	-4.400%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Nashoba Valley Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	54.03%	-4.400%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
New England Baptist Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	51.92%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Newton-Wellesley Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	41.52%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
North Shore Medical Center	\$ 9,577.06	0.9024	0.69587	\$ 8,926.62	\$ 629.62	\$ 9,556.24	45.59%	-2.775%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Norwood Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	69.23%	-1.938%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Saint Vincent Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	61.96%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Shriners - Boston	\$ 9,577.06	1.0320	0.69587	\$ 9,790.31	\$ 629.62	\$ 10,419.94	128.98%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Shriners - Springfield	\$ 9,577.06	0.8466	0.69587	\$ 8,554.74	\$ 629.62	\$ 9,184.36	158.73%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
South Shore Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	52.57%	-1.469%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Southcoast Hospital Group	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	47.76%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	\$ 754.24
St. Anne's Hospital	\$ 9,577.06	0.9091	0.69587	\$ 8,971.27	\$ 629.62	\$ 9,600.89	71.50%	-4.400%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
St.Elizabeth's Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	64.85%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Sturdy Memorial Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	67.48%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Tufts Medical Center	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	43.73%	-0.820%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Umass Memorial Medical Center	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	40.33%	-0.375%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--
Winchester Hospital	\$ 9,577.06	1.0320	0.69587	\$ 9,790.32	\$ 629.62	\$ 10,419.94	72.97%	0.000%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$ 883.52	--

\*See Chart C-1 for 1<sup>st</sup> RY18 Period MassHealth DRG Weights and Mean All Payer Lengths of Stay. Click here- [Chart C-1-1st RY18 Period Acute Hospital MassHealth DRG Weights and Mean All-Payer Lengths of Stay](#)

**1<sup>st</sup> RY18 Period In-State Acute Hospital Inpatient Rates**

Critical Access Hospitals

Critical Access Hospitals** In-State Provider	Components of Adjudicated Payment Amount per Discharge (APAD), Outlier Payment, & Transfer Per Diem Rates*				Other Per Diem Rates		
	1 <sup>st</sup> RY18 Period CAH-Specific Total Standard Rate per Discharge	Hospital Cost-to-Charge Ratio	Fixed Outlier Threshold	Marginal Cost Factor	Admin Day	Admin Day w. Medicare Part B	Psych per diem
Athol Memorial Hospital**	\$ 14,891.47	82.42%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	\$883.52
Berkshire Fairview Hospital**	\$ 19,971.90	128.20%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	-
Martha's Vineyard Hospital**	\$ 21,450.88	58.44%	\$ 25,000.00	80%	\$ 281.25	\$ 260.09	-

\*See Chart C-1 for 1<sup>st</sup> RY18 Period MassHealth DRG Weights and Mean All Payer Lengths of Stay. Click here: [Chart C-1-1st RY18 Period Acute Hospital MassHealth DRG Weights and Mean All-Payer Lengths of Stay](#)

\*\* For Critical Access Hospitals—subject to reconciliation

**In-State Acute Inpatient Hospital Rates**  
**2<sup>nd</sup> RY18 Period – Effective 3/1/18**

In-State Provider	Components of Adjudicated Payment Amount per Discharge (APAD), Outlier Payment, and Transfer Per Diem Rates*										Other Per Diem Rates			
	(*See link at end for Chart C-2: 2nd RY18 Period MassHealth DRG Weights and Mean All Payer Lengths of Stay)										Admin Day	Admin Day w. Medicare Part B	Psych per Diem	Rehab per Diem
	Statewide Operating Standard per Discharge	Hospital Wage Area	Labor Factor	Wage Adjusted Operating Standard per Discharge	Statewide Capital Standard per Discharge	APAD Base Payment	Hospital Cost-to- Charge Ratio	Potentially Preventable Readmission Adjustment %	Fixed Outlier Threshold	Marginal Cost Factor				
Anna Jaques Hospital	\$ 10,998.11	0.8938	0.69587	\$ 10,185.34	\$ 774.99	\$ 10,960.33	71.98%	-2.679%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Baystate Franklin Medical Center	\$ 10,998.11	0.8449	0.69587	\$ 9,811.09	\$ 774.99	\$ 10,586.08	59.37%	-4.400%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Baystate Medical Center	\$ 10,998.11	0.8674	0.69587	\$ 9,983.29	\$ 774.99	\$ 10,758.28	47.57%	-0.498%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Baystate Noble Hospital	\$ 10,998.11	0.8449	0.69587	\$ 9,811.09	\$ 774.99	\$ 10,586.08	50.92%	-2.598%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	\$1,091.28
Baystate Wing Hospital	\$ 10,998.11	0.8449	0.69587	\$ 9,811.09	\$ 774.99	\$ 10,586.08	52.74%	-3.320%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Berkshire Medical Center	\$ 10,998.11	0.9011	0.69587	\$ 10,241.21	\$ 774.99	\$ 11,016.20	56.34%	-0.216%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	\$1,091.28
Beth Israel Deaconess Hospital - Milton	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	42.69%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	-	-
Beth Israel Deaconess Hospital - Needham	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	60.34%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	-	-
Beth Israel Deaconess Hospital - Plymouth	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	56.74%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	-	-
Beth Israel Deaconess Medical Center	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	51.78%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Beverly Hospital	\$ 10,998.11	0.8938	0.69587	\$ 10,185.34	\$ 774.99	\$ 10,960.33	66.55%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Boston Medical Center	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	59.57%	-0.915%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	-	-
Brigham & Women's Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	31.71%	-0.906%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	-	-
Brockton Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	42.03%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Cambridge Health Alliance	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	76.78%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Cape Cod Hospital	\$ 10,998.11	1.1217	0.69587	\$ 11,929.52	\$ 774.99	\$ 12,704.51	47.65%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Carney Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	117.24%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Children's Hospital #	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	53.57%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Clinton Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	47.58%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-

## 2<sup>nd</sup> RY18 Period In-State Acute Hospital Inpatient Rates

	Components of Adjudicated Payment Amount per Discharge (APAD), Outlier Payment, and Transfer Per Diem Rates*										Other Per Diem Rates			
	(*See link at end for Chart C-2: 2nd RY18 Period MassHealth DRG Weights and Mean All Payer Lengths of Stay)													
In-State Provider	Statewide Operating Standard per Discharge	Hospital Wage Area	Labor Factor	Wage Adjusted Operating Standard per Discharge	Statewide Capital Standard per Discharge	APAD Base Payment	Hospital Cost-to- Charge Ratio	Potentially Preventable Readmission Adjustment %	Fixed Outlier Threshold	Marginal Cost Factor	Admin Day	Admin Day w. Medicare Part B	Psych per Diem	Rehab per Diem
Cooley Dickinson Hospital	\$ 10,998.11	0.8449	0.69587	\$ 9,811.09	\$ 774.99	\$ 10,586.08	43.20%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Dana Farber Cancer Institute	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	36.92%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	-	-
Emerson Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	61.43%	-0.333%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Falmouth Hospital	\$ 10,998.11	1.1217	0.69587	\$ 11,929.52	\$ 774.99	\$ 12,704.51	50.19%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	-	-
Faulkner Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	35.63%	-3.809%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Good Samaritan Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	83.82%	-2.620%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Hallmark Health Systems	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	74.16%	-1.601%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Harrington Memorial Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	61.16%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Health Alliance Hospitals	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	45.06%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	-	-
Heywood Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	70.53%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Holy Family Hospital	\$ 10,998.11	0.8938	0.69587	\$ 10,185.34	\$ 774.99	\$ 10,960.33	70.32%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Holyoke Medical Center	\$ 10,998.11	0.8449	0.69587	\$ 9,811.09	\$ 774.99	\$ 10,586.08	70.18%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Lahey Clinic Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	51.50%	-3.472%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	-	-
Lawrence General Hospital	\$ 10,998.11	0.8938	0.69587	\$ 10,185.34	\$ 774.99	\$ 10,960.33	59.76%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	-	-
Lowell General Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	51.08%	-2.915%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	-	-
Marlborough Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	44.20%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Massachusetts Eye & Ear Infirmary	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	79.27%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	-	-
Massachusetts General Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	29.67%	-0.474%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Mercy Hospital	\$ 10,998.11	0.8449	0.69587	\$ 9,811.09	\$ 774.99	\$ 10,586.08	51.23%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	\$1,091.28
MetroWest Medical Center	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	59.64%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-
Milford Regional Medical Center	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	63.56%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	-	-

## 2<sup>nd</sup> RY18 Period In-State Acute Hospital Inpatient Rates

	Components of Adjudicated Payment Amount per Discharge (APAD), Outlier Payment, and Transfer Per Diem Rates*											Other Per Diem Rates			
	(*See link at end for Chart C-2: 2nd RY18 Period MassHealth DRG Weights and Mean All Payer Lengths of Stay)														
In-State Provider	Statewide Operating Standard per Discharge	Hospital Wage Area	Labor Factor	Wage Adjusted Operating Standard per Discharge	Statewide Capital Standard per Discharge	APAD Base Payment	Hospital Cost-to- Charge Ratio	Potentially Preventable Readmission Adjustment %	Fixed Outlier Threshold	Marginal Cost Factor	Admin Day	Admin Day w. Medicare Part B	Psych per Diem	Rehab per Diem	
Morton Hospital	\$ 10,998.11	0.8836	0.69587	\$ 10,107.28	\$ 774.99	\$ 10,882.27	79.47%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-	
Mount Auburn Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	65.61%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-	
Nantucket Cottage Hospital	\$ 10,998.11	1.0770	0.69587	\$ 11,587.42	\$ 774.99	\$ 12,362.41	124.95%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-	
Nashoba Valley Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	48.86%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-	
New England Baptist Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	62.24%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-	
Newton-Wellesley Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	48.12%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-	
North Shore Medical Center	\$ 10,998.11	0.8938	0.69587	\$ 10,185.34	\$ 774.99	\$ 10,960.33	43.94%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-	
Norwood Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	68.59%	-2.503%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-	
Saint Vincent Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	51.95%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-	
Shriners - Boston #	\$ 10,998.11	1.0324	0.69587	\$ 11,245.90	\$ 774.99	\$ 12,021.07	102.32%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-	
Shriners - Springfield #	\$ 10,998.11	0.8449	0.69587	\$ 9,811.10	\$ 774.99	\$ 10,586.08	109.31%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-	
South Shore Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	52.62%	-1.016%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-	
Southcoast Hospital Group	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	42.42%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	\$1,091.28	
St. Anne's Hospital	\$ 10,998.11	0.8836	0.69587	\$ 10,107.28	\$ 774.99	\$ 10,882.27	55.75%	-4.400%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-	
St. Elizabeth's Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	73.77%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-	
Sturdy Memorial Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	65.88%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-	
Tufts Medical Center	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	43.29%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-	
Umass Memorial Medical Center	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	35.57%	-0.019%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-	
Winchester Hospital	\$ 10,998.11	1.0324	0.69587	\$ 11,246.08	\$ 774.99	\$ 12,021.07	66.02%	0.000%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$ 920.99	-	

\*See Chart C-2 for 2<sup>nd</sup> RY18 Period MassHealth DRG Weights and Mean All Payer Lengths of Stay. Click here [Chart C-2-2nd RY18 Period Acute Hospital MassHealth DRG Weights and Mean All-Payer Lengths of Stay](#)

# For Freestanding Pediatric Acute Hospitals — for discharges assigned a MassHealth DRG Weight of 3.5 or greater, the APAD Base Payment will be \$17,430.55 for Boston Children’s Hospital and Shriners’s Hospital-Boston; and \$15,349.82 for Shriners’s Hospital-Springfield.

**2<sup>nd</sup> RY18 Period In-State Acute Hospital Inpatient Rates**

Critical Access Hospitals

Critical Access Hospitals** In-State Provider	Components of Adjudicated Payment Amount per Discharge (APAD), Outlier Payment, & Transfer Per Diem Rates*				Other Per Diem Rates		
	2 <sup>nd</sup> RY18 Period CAH-Specific Total Standard Rate per Discharge	Hospital Cost-to-Charge Ratio	Fixed Outlier Threshold	Marginal Cost Factor	Admin Day	Admin Day w. Medicare Part B	Psych per diem
Athol Memorial Hospital**	\$ 12,411.33	85.48%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	\$920.99
Berkshire Fairview Hospital**	\$ 22,914.76	102.42%	\$ 25,500.00	80%	\$ 290.47	\$ 268.61	-
Martha's Vineyard Hospital**	\$ 22,076.45	84.29%	\$ 25,500.00	80%	\$ 280.47	\$ 268.61	-

\*See [Chart C-2](#) for 2<sup>nd</sup> RY18 Period MassHealth DRG Weights and Mean All Payer Lengths of Stay. Click here: [Chart C-2-2nd RY18 Period Acute Hospital MassHealth DRG Weights and Mean All-Payer Lengths of Stay](#)

\*\* For Critical Access Hospitals—subject to reconciliation

## Public Notice – In-State Hospitals (Outpatient)

**1<sup>st</sup> RY18 Period, effective 10/1/17 – 2/28/18**

### 1<sup>st</sup> RY18 Period — Outpatient Adjudicated Payment per Episode of Care (APEC)

<b>Components of Adjudicated Payment per Episode of Care (APEC)*</b> <i>—Effective for dates of service in 1<sup>st</sup> RY18 Period</i>				
(*See link at end for Chart D: RY2018 EAPGs and MassHealth EAPG Weights)				
In-State Provider	APEC Outpatient Statewide Standard	Hospital Cost-to- Charge Ratio	Fixed Outpatient Outlier Threshold	Marginal Cost Factor
Anna Jaques Hospital	\$ 252.00	37.74%	\$ 2,100.00	80%
Baystate Franklin Medical Center	\$ 252.00	29.55%	\$ 2,100.00	80%
Baystate Medical Center	\$ 252.00	37.40%	\$ 2,100.00	80%
Baystate Noble Hospital	\$ 252.00	26.01%	\$ 2,100.00	80%
Baystate Wing Hospital	\$ 252.00	38.64%	\$ 2,100.00	80%
Berkshire Medical Center	\$ 252.00	34.44%	\$ 2,100.00	80%
Beth Israel Deaconess Hospital - Milton	\$ 252.00	26.80%	\$ 2,100.00	80%
Beth Israel Deaconess Hospital - Needham	\$ 252.00	36.49%	\$ 2,100.00	80%
Beth Israel Deaconess Hospital - Plymouth	\$ 252.00	31.01%	\$ 2,100.00	80%
Beth Israel Deaconess Medical Center	\$ 252.00	37.43%	\$ 2,100.00	80%
Beverly Hospital	\$ 252.00	35.40%	\$ 2,100.00	80%
Boston Medical Center	\$ 252.00	42.10%	\$ 2,100.00	80%
Brigham & Women's Hospital	\$ 252.00	19.92%	\$ 2,100.00	80%
Brockton Hospital	\$ 252.00	27.17%	\$ 2,100.00	80%
Cambridge Health Alliance	\$ 252.00	54.53%	\$ 2,100.00	80%
Cape Cod Hospital	\$ 252.00	32.37%	\$ 2,100.00	80%
Carney Hospital	\$ 252.00	46.53%	\$ 2,100.00	80%
Children's Hospital	\$ 252.00	49.43%	\$ 2,100.00	80%
Clinton Hospital	\$ 252.00	21.59%	\$ 2,100.00	80%
Cooley Dickinson Hospital	\$ 252.00	36.51%	\$ 2,100.00	80%

## In-State Hospitals - 1<sup>st</sup> RY18 Period Outpatient APEC

### Components of Adjudicated Payment per Episode of Care (APEC)\*

*—Effective for dates of service in 1<sup>st</sup> RY18 Period*

(\*See link at end for Chart D: RY2018 EAPGs and MassHealth EAPG Weights)

In-State Provider	APEC Outpatient Statewide Standard	Hospital Cost-to- Charge Ratio	Fixed Outpatient Outlier Threshold	Marginal Cost Factor
Dana Farber Cancer Institute	\$ 317.00	28.15%	\$ 2,100.00	80%
Emerson Hospital	\$ 252.00	32.21%	\$ 2,100.00	80%
Falmouth Hospital	\$ 252.00	29.31%	\$ 2,100.00	80%
Faulkner Hospital	\$ 252.00	22.78%	\$ 2,100.00	80%
Good Samaritan Hospital	\$ 252.00	36.32%	\$ 2,100.00	80%
Hallmark Health Systems	\$ 252.00	32.54%	\$ 2,100.00	80%
Harrington Memorial Hospital	\$ 252.00	38.91%	\$ 2,100.00	80%
Health Alliance Hospitals	\$ 252.00	27.68%	\$ 2,100.00	80%
Heywood Hospital	\$ 252.00	31.78%	\$ 2,100.00	80%
Holy Family Hospital	\$ 252.00	36.03%	\$ 2,100.00	80%
Holyoke Medical Center	\$ 252.00	35.43%	\$ 2,100.00	80%
Lahey Clinic Hospital	\$ 252.00	41.08%	\$ 2,100.00	80%
Lawrence General Hospital	\$ 252.00	28.19%	\$ 2,100.00	80%
Lowell General Hospital	\$ 252.00	30.42%	\$ 2,100.00	80%
Marlborough Hospital	\$ 252.00	26.75%	\$ 2,100.00	80%
Massachusetts Eye & Ear Infirmary	\$ 252.00	44.54%	\$ 2,100.00	80%
Massachusetts General Hospital	\$ 252.00	26.46%	\$ 2,100.00	80%
Mercy Hospital	\$ 252.00	33.00%	\$ 2,100.00	80%
MetroWest Medical Center	\$ 252.00	33.71%	\$ 2,100.00	80%
Milford Regional Medical Center	\$ 252.00	32.38%	\$ 2,100.00	80%
Morton Hospital	\$ 252.00	43.44%	\$ 2,100.00	80%
Mount Auburn Hospital	\$ 252.00	37.51%	\$ 2,100.00	80%
Nantucket Cottage Hospital	\$ 252.00	54.96%	\$ 2,100.00	80%
Nashoba Valley Hospital	\$ 252.00	24.01%	\$ 2,100.00	80%
New England Baptist Hospital	\$ 252.00	61.44%	\$ 2,100.00	80%

## In-State Hospitals - 1<sup>st</sup> RY18 Period Outpatient APEC

<b>Components of Adjudicated Payment per Episode of Care (APEC)*</b> <i>—Effective for dates of service in 1<sup>st</sup> RY18 Period</i>				
(*See link at end for Chart D: RY2018 EAPGs and MassHealth EAPG Weights)				
In-State Provider	APEC Outpatient Statewide Standard	Hospital Cost-to-Charge Ratio	Fixed Outpatient Outlier Threshold	Marginal Cost Factor
Newton-Wellesley Hospital	\$ 252.00	24.30%	\$ 2,100.00	80%
North Shore Medical Center	\$ 252.00	21.42%	\$ 2,100.00	80%
Norwood Hospital	\$ 252.00	30.10%	\$ 2,100.00	80%
Saint Vincent Hospital	\$ 252.00	34.34%	\$ 2,100.00	80%
Shriners - Boston	\$ 252.00	75.36%	\$ 2,100.00	80%
Shriners - Springfield	\$ 252.00	67.92%	\$ 2,100.00	80%
South Shore Hospital	\$ 252.00	42.64%	\$ 2,100.00	80%
Southcoast Hospital Group	\$ 252.00	33.59%	\$ 2,100.00	80%
St.Anne's Hospital	\$ 252.00	27.89%	\$ 2,100.00	80%
St.Elizabeth's Hospital	\$ 252.00	38.57%	\$ 2,100.00	80%
Sturdy Memorial Hospital	\$ 252.00	40.00%	\$ 2,100.00	80%
Tufts Medical Center	\$ 252.00	35.66%	\$ 2,100.00	80%
Umass Memorial Medical Center	\$ 252.00	32.84%	\$ 2,100.00	80%
Winchester Hospital	\$ 252.00	44.05%	\$ 2,100.00	80%

\***See Chart D** for the RY2018 EAPGs and MassHealth EAPG Weights.

Click here: [Chart D-Acute Hospital RY18 MassHealth EAPG Weights](#)

**Note:** The 3M EAPG grouper's discounting, consolidation and packaging logic is applied to each of the episode's claim detail line MassHealth EAPG Weights to produce the claim detail line's Adjusted EAPG Weight that is used in the APEC calculation.

## In-State Hospitals - 1<sup>st</sup> RY18 Period Outpatient APEC

**Critical Access Hospitals\*\***

**Components of Adjudicated Payment per Episode of Care (APEC)\***  
*—Effective for dates of service in 1<sup>st</sup> RY18 Period*

In-State Provider	1 <sup>st</sup> RY18 Period CAH-Specific Outpatient Standard Rate per Episode	Hospital Cost-to- Charge Ratio	Fixed Outpatient Outlier Threshold	Marginal Cost Factor
Athol Memorial Hospital**	\$528.04	25.19%	\$ 2,100.00	80%
Berkshire Fairview Hospital**	\$434.72	48.22%	\$ 2,100.00	80%
Martha's Vineyard Hospital**	\$603.54	46.53%	\$ 2,100.00	80%

\***See Chart D** for the RY 2018 EAPGs and MassHealth EAPG Weights.

Click here: [Chart D-Acute Hospital RY18 MassHealth EAPG Weights](#)

**Note:** The 3M EAPG grouper's discounting, consolidation and packaging logic is applied to each of the episode's claim detail line MassHealth EAPG Weights to produce the claim detail line's Adjusted EAPG Weight that is used in the APEC calculation.

\*\* For Critical Access Hospitals—subject to reconciliation

## Public Notice – In-State Hospitals (Outpatient)

***2<sup>nd</sup> RY18 Period, effective 3/1/18***

### 2<sup>nd</sup> RY18 Period - Outpatient Adjudicated Payment per Episode of Care (APEC)

<b>Components of Adjudicated Payment per Episode of Care (APEC)*</b> <i>—Effective for dates of service in 2<sup>nd</sup> RY18 Period</i>				
(*See link at end for Chart D: RY2018 EAPGs and MassHealth EAPG Weights)				
In-State Provider	APEC Outpatient Statewide Standard	Hospital Cost-to- Charge Ratio	Fixed Outpatient Outlier Threshold	Marginal Cost Factor
Anna Jaques Hospital	\$ 258.43	37.97%	\$ 2,750.00	80%
Baystate Franklin Medical Center	\$ 258.43	34.80%	\$ 2,750.00	80%
Baystate Medical Center	\$ 258.43	40.56%	\$ 2,750.00	80%
Baystate Noble Hospital	\$ 258.43	29.21%	\$ 2,750.00	80%
Baystate Wing Hospital	\$ 258.43	47.16%	\$ 2,750.00	80%
Berkshire Medical Center	\$ 258.43	39.03%	\$ 2,750.00	80%
Beth Israel Deaconess Hospital - Milton	\$ 258.43	30.53%	\$ 2,750.00	80%
Beth Israel Deaconess Hospital - Needham	\$ 258.43	42.10%	\$ 2,750.00	80%
Beth Israel Deaconess Hospital - Plymouth	\$ 258.43	31.71%	\$ 2,750.00	80%
Beth Israel Deaconess Medical Center	\$ 258.43	36.44%	\$ 2,750.00	80%
Beverly Hospital	\$ 258.43	31.43%	\$ 2,750.00	80%
Boston Medical Center	\$ 258.43	59.52%	\$ 2,750.00	80%
Brigham & Women's Hospital	\$ 258.43	25.88%	\$ 2,750.00	80%
Brockton Hospital	\$ 258.43	31.40%	\$ 2,750.00	80%
Cambridge Health Alliance	\$ 258.43	58.61%	\$ 2,750.00	80%
Cape Cod Hospital	\$ 258.43	32.52%	\$ 2,750.00	80%
Carney Hospital	\$ 258.43	49.75%	\$ 2,750.00	80%
Children's Hospital	\$ 258.43	51.59%	\$ 2,750.00	80%
Clinton Hospital	\$ 258.43	22.56%	\$ 2,750.00	80%
Cooley Dickinson Hospital	\$ 258.43	37.03%	\$ 2,750.00	80%

## In-State Hospitals - 2<sup>nd</sup> RY18 Period Outpatient APEC

### Components of Adjudicated Payment per Episode of Care (APEC)\*

—Effective for dates of service in 2<sup>nd</sup> RY18 Period

(\*See link at end for Chart D: RY2018 EAPGs and MassHealth EAPG Weights)

In-State Provider	APEC Outpatient Statewide Standard	Hospital Cost-to- Charge Ratio	Fixed Outpatient Outlier Threshold	Marginal Cost Factor
Dana Farber Cancer Institute	\$ 323.43	30.26%	\$ 2,750.00	80%
Emerson Hospital	\$ 258.43	29.33%	\$ 2,750.00	80%
Falmouth Hospital	\$ 258.43	29.98%	\$ 2,750.00	80%
Faulkner Hospital	\$ 258.43	26.31%	\$ 2,750.00	80%
Good Samaritan Hospital	\$ 258.43	34.12%	\$ 2,750.00	80%
Hallmark Health Systems	\$ 258.43	31.12%	\$ 2,750.00	80%
Harrington Memorial Hospital	\$ 258.43	29.66%	\$ 2,750.00	80%
Health Alliance Hospitals	\$ 258.43	26.03%	\$ 2,750.00	80%
Heywood Hospital	\$ 258.43	32.10%	\$ 2,750.00	80%
Holy Family Hospital	\$ 258.43	37.26%	\$ 2,750.00	80%
Holyoke Medical Center	\$ 258.43	36.91%	\$ 2,750.00	80%
Lahey Clinic Hospital	\$ 258.43	40.33%	\$ 2,750.00	80%
Lawrence General Hospital	\$ 258.43	32.93%	\$ 2,750.00	80%
Lowell General Hospital	\$ 258.43	30.38%	\$ 2,750.00	80%
Marlborough Hospital	\$ 258.43	21.54%	\$ 2,750.00	80%
Massachusetts Eye & Ear Infirmary	\$ 258.43	44.28%	\$ 2,750.00	80%
Massachusetts General Hospital	\$ 258.43	27.27%	\$ 2,750.00	80%
Mercy Hospital	\$ 258.43	44.20%	\$ 2,750.00	80%
MetroWest Medical Center	\$ 258.43	30.08%	\$ 2,750.00	80%
Milford Regional Medical Center	\$ 258.43	32.77%	\$ 2,750.00	80%
Morton Hospital	\$ 258.43	49.30%	\$ 2,750.00	80%
Mount Auburn Hospital	\$ 258.43	37.23%	\$ 2,750.00	80%
Nantucket Cottage Hospital	\$ 258.43	59.74%	\$ 2,750.00	80%
Nashoba Valley Hospital	\$ 258.43	29.92%	\$ 2,750.00	80%

## In-State Hospitals - 2<sup>nd</sup> RY18 Period Outpatient APEC

### Components of Adjudicated Payment per Episode of Care (APEC)\*

—Effective for dates of service in 2<sup>nd</sup> RY18 Period

(\*See link at end for Chart D: RY2018 EAPGs and MassHealth EAPG Weights)

In-State Provider	APEC Outpatient Statewide Standard	Hospital Cost-to- Charge Ratio	Fixed Outpatient Outlier Threshold	Marginal Cost Factor
New England Baptist Hospital	\$ 258.43	48.27%	\$ 2,750.00	80%
Newton-Wellesley Hospital	\$ 258.43	24.67%	\$ 2,750.00	80%
North Shore Medical Center	\$ 258.43	22.08%	\$ 2,750.00	80%
Norwood Hospital	\$ 258.43	35.65%	\$ 2,750.00	80%
Saint Vincent Hospital	\$ 258.43	31.84%	\$ 2,750.00	80%
Shriners - Boston	\$ 258.43	49.72%	\$ 2,750.00	80%
Shriners - Springfield	\$ 258.43	53.14%	\$ 2,750.00	80%
South Shore Hospital	\$ 258.43	40.62%	\$ 2,750.00	80%
Southcoast Hospital Group	\$ 258.43	31.09%	\$ 2,750.00	80%
St.Anne's Hospital	\$ 258.43	36.71%	\$ 2,750.00	80%
St.Elizabeth's Hospital	\$ 258.43	46.95%	\$ 2,750.00	80%
Sturdy Memorial Hospital	\$ 258.43	42.18%	\$ 2,750.00	80%
Tufts Medical Center	\$ 258.43	33.91%	\$ 2,750.00	80%
Umass Memorial Medical Center	\$ 258.43	27.78%	\$ 2,750.00	80%
Winchester Hospital	\$ 258.43	42.57%	\$ 2,750.00	80%

\*See Chart D for the RY2018 EAPGs and MassHealth EAPG Weights.

Click here: [Chart D-Acute Hospital RY18 MassHealth EAPG Weights](#)

**Note:** The 3M EAPG grouper's discounting, consolidation and packaging logic is applied to each of the episode's claim detail line MassHealth EAPG Weights to produce the claim detail line's Adjusted EAPG Weight that is used in the APEC calculation.

## In-State Hospitals – 2<sup>nd</sup> RY18 Period Outpatient APEC

**Critical Access Hospitals\*\***

**Components of Adjudicated Payment per Episode of Care (APEC)\***  
*—Effective for dates of service in 2<sup>nd</sup> RY18 Period*

In-State Provider	2 <sup>nd</sup> RY18 Period CAH-Specific Outpatient Standard Rate per Episode	Hospital Cost-to- Charge Ratio	Fixed Outpatient Outlier Threshold	Marginal Cost Factor
Athol Memorial Hospital**	\$380.75	27.06%	\$ 2,750.00	80%
Berkshire Fairview Hospital**	\$501.66	46.23%	\$ 2,750.00	80%
Martha's Vineyard Hospital**	\$773.74	44.04%	\$ 2,750.00	80%

\***See Chart D** for the RY 2018 EAPGs and MassHealth EAPG Weights.

Click here: [Chart D-Acute Hospital RY18 MassHealth EAPG Weights](#)

**Note:** The 3M EAPG grouper's discounting, consolidation and packaging logic is applied to each of the episode's claim detail line MassHealth EAPG Weights to produce the claim detail line's Adjusted EAPG Weight that is used in the APEC calculation.

\*\* For Critical Access Hospitals—subject to reconciliation