

### **Notice of Proposed Agency Action**

**SUBJECT:** MassHealth: Payment for In-State Acute Hospital Services, effective May 1, 2023

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

EOHHS hereby announces that it will apply new payment methods to in-state acute inpatient and outpatient hospitals and is making substantive and technical changes to the rate year 2023 acute inpatient and outpatient hospital payment methods, as described in the rate year 2023 Notice of Final Agency Action published on or around September 30, 2022 (“Final RY23 Notice”) and the rate year 2023 Notice of Final Agency Action published on or around December 30, 2022 (“Final RY23 Amendment 2 Notice”).

Specifically, effective May 1, 2023, EOHHS is making the following updates to the payment methods for in-state acute inpatient and outpatient hospitals:

1. implementing two new supplemental payments, including
  - a. a Supplemental Payment for Disaster Support; and
  - b. a Supplemental Payment to Support Acute Hospital Financial Stability and Prevent Possible Impacts to Acute Hospital Service Provision and Access;
2. reestablishing the MassHealth Targeted Supplemental Payment;
3. extending the Supplemental Payment to Promote Hospital Capacity to Provide Enhanced ED [Emergency Department] Psychiatric Services;
4. making technical corrections and updates to the Pay for Performance program; and
5. making a technical correction to the Clinical Quality Incentive program.

The Supplemental Payment for Disaster Support will provide financial relief to hospitals that experienced a disaster event in February 2023 and that meet certain payer mix criteria. The estimated fiscal impact for this supplemental payment is \$5,000,000.

The Supplemental Payment to Support Acute Hospital Financial Stability and Prevent Possible Impacts to Acute Hospital Service Provision and Access will provide support to hospitals that are at risk of closure or reduction of services due to financial needs. The funds will be paid to hospitals that meet certain criteria and agree to undertake a thorough financial and operational review by a third-party reviewer. Each qualifying hospital will have a maximum payment based on its bed days, payer mix, commercial relative price, and status as a critical access hospital. The estimated fiscal impact of this supplemental payment is \$32,350,000.

The MassHealth Targeted Supplemental Payment will provide targeted financial support to certain nonprofit teaching hospitals affiliated with a Commonwealth-owned medical school, or to certain freestanding pediatric hospitals, and will be paid out by a method related to each qualifying hospital's inpatient discharges. The estimated fiscal impact of this supplemental payment is \$100,000,000.

The Supplemental Payment to Promote Hospital Capacity to Provide Enhanced ED Psychiatric Services described in the Final RY23 Notice is being extended from its previous end date of April 30, 2023, to September 30, 2023, for hospitals that attest to being capable of rendering Tier 1 or Tier 2 level enhanced ED psychiatric services from May 1, 2023, through September 30, 2023. The estimated fiscal impact of this supplemental payment extension is \$12,300,000.

These payments are in addition to any payment that the qualifying in-state acute hospitals may receive for services rendered to MassHealth members under the acute inpatient and outpatient payment methods described in the Final RY23 Notice.

The technical changes and updates to the Pay for Performance program and the Clinical Quality Incentive program are to improve clarity and have no associated fiscal impact.

All changes to hospital payment methods described in this notice are in accordance with state and federal law and are within the range of reasonable payment levels to acute hospitals.

EOHHS estimates that annual aggregate expenditures for MassHealth state plan acute hospital services will increase by approximately \$149,550,000 as a result of these changes. This increase consists of the amounts attributable to each component, described above.

Except for the changes in this notice, the RY23 acute inpatient and outpatient hospital payment methods described in the Final RY23 Notice and the Final RY23 Amendment 2 Notice remain unchanged. The Final RY23 Notice and Final RY23 Amendment 2 Notice are under the heading "Acute Hospital Federal Fiscal Year 2023 Notices" on the "Special Notices for Acute Hospitals" page of the MassHealth website: <https://www.mass.gov/service-details/special-notices-for-acute-hospitals>. For further information, or to provide written comments regarding this action, you may also contact Jin Pantano at EOHHS, MassHealth Office of Providers and Pharmacy Programs, 100 Hancock Street, 6th Fl, Quincy, MA 02171 or [jin.pantano2@mass.gov](mailto:jin.pantano2@mass.gov). EOHHS specifically invites comments about the proposed action's effect on member access to care.

**Statutory Authority:** M.G.L. c. 118E; St. 2022, c. 126; St. 2012, c. 224; 42 USC 1396a; 42 USC 1396b.

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

Posted: April 12, 2023