

NOTICE OF PROPOSED AGENCY ACTION

SUBJECT: Payment for Privately Owned Psychiatric Hospital Services effective October 1, 2022

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

Summary of Proposed Action

Pursuant to the provisions of M.G.L. c. 118E, §13A, rates and terms of payment for services rendered by psychiatric hospitals to patients entitled to medical assistance under M.G.L. c. 118E, §1 *et seq.* are established by contract between the MassHealth Program and participating hospitals. This notice describes the methods and standards for the establishment of rates of payment by contract, effective October 1, 2022, between the Executive Office of Health and Human Services (EOHHS) and participating privately owned psychiatric hospitals licensed by the Department of Mental Health (DMH). The contract does not cover services provided to patients enrolled with the MassHealth behavioral health contractor, or with other MassHealth-contracted managed care entities.

Description of Proposed Methods and Standards: Inpatient, Outpatient, Administratively Necessary Day Rate, Quality Incentives, and Supplemental Payments

MassHealth pays privately owned psychiatric hospitals using

- (1) a statewide inpatient per diem rate,
- (2) a per inpatient admission rate,
- (3) an all-inclusive statewide administratively necessary day per diem rate,
- (4) a hospital-specific cost-to-charge ratio for outpatient hospital services,
- (5) a hospital-specific, performance-based quality incentive payment, and
- (6) a hospital-specific supplemental pediatric inpatient per diem payment.

The methods and standards described herein would establish rates that accurately reflect the efficient and economic provision of private psychiatric hospital services. MassHealth proposes to update the rates as further described herein. The proposed methods and standards described herein are projected to result in a 15.4% decrease in annual aggregate expenditures in Rate Year 2023 (RY 2023). The actual decrease in aggregate expenditures is estimated to be \$6,500,000; however, it may vary depending on actual utilization of services.

Included with this notice are the rates of payment effective October 1, 2022. The estimated change in aggregate expenditures reflects:

- 1) the establishment of a new per-inpatient admission rate resulting in an estimated increase of \$1,500,000 over current expenditures; and
- 2) the discontinuation of the existing adult inpatient per diem supplemental payment resulting in an estimated decrease of \$8,000,000.

Justification

All changes to hospital payment rates and methods described herein are in accordance with state and federal law and are within the range of reasonable payment levels to privately owned psychiatric hospitals. Except as specified above, the MassHealth privately owned psychiatric hospital payment methods for RY2023 are otherwise substantially similar to those for RY2022. All changes to hospital payment rates and methods are in accordance with state and federal law and are within the range of reasonable payment levels to privately owned psychiatric hospitals.

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To request copies of written comments received regarding RY2023 payment methods and rates, contact:

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Statutory Authority

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

Related Regulations:
42 CFR Part 447

**EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES
PSYCHIATRIC HOSPITAL SERVICES
PROPOSED METHODS AND STANDARDS
FOR RATES EFFECTIVE OCTOBER 1, 2022**

The following sections describe the methods and standards to be used by the Executive Office of Health and Human Services (EOHHS) to establish rates of payment by contract, to be effective October 1, 2022, for services rendered by privately owned psychiatric hospitals licensed by DMH to patients with appropriate medical needs.

Description of Methods and Standards

Payment for Inpatient Services

(A) Statewide Standard Psychiatric Per Diem

MassHealth pays privately owned psychiatric hospitals a statewide inpatient per diem rate. The per diem rate of payment is calculated on the basis of three components: base year costs; inflation adjustments to base year costs; and other adjustments to base year costs.

(1) Base Year Costs: Base year costs are calculated using the FY 2018 Massachusetts Hospital Cost Reports. Base year costs are equivalent to the total patient service expense including capital. Per diem rates for each hospital were calculated by dividing each hospital's base year costs by the hospital's total base year bed days. The base year cost component of the statewide inpatient per diem rate for all hospitals was calculated by taking the average of all individual hospital's calculated per diem rate.

(2) Inflation Adjustment to Base Year Costs: The average base year rate is further updated to account for inflation from the base year. An inflationary adjustment factor to base year costs of 6.934% was sourced from 2018–2021 inflationary adjustment factors provided by the Center for Health Information and Analysis (CHIA).

(3) Other Adjustments to Base Year Costs: The inflation adjusted base year costs are further adjusted to account for additional programmatic requirements of inpatient psychiatric hospitals contributing to additional hospital operating costs. These programmatic requirements include core clinical competencies related to managed SUD, medical comorbidities, and severe behavioral presentation. These other adjustments account for an additional 0.21% increase over inflation adjusted base costs. The resulting inpatient per diem rate for privately owned psychiatric hospitals in effect as of October 1, 2022, is \$954.59.

(B) Per Inpatient Admission Rate

MassHealth pays privately owned psychiatric hospitals a per inpatient admission rate. The per inpatient admission payments are determined by certain criteria for member admissions, and calculated by applying certain percentages against a determined baseline admission value as follows:

- (1) **Baseline Admission Value.** The baseline admission value is determined by multiplying the average length of stay for inpatient admissions by the statewide psychiatric inpatient per diem, resulting in a baseline admission value of \$7664.80.
- (2) **Per Inpatient Admission Rates Criteria.** Both weekday and weekend per inpatient admission rates utilize the same eligibility criteria. The Category 1 per inpatient admission rate will apply in instances where the member does not meet the criteria for either the Category 2 or Category 3 per inpatient admission rates. The Category 2 per inpatient admission rate will apply when the admission does not meet the criteria for the Category 3 per inpatient admission rate, and the admission meets at least one of the following: 1) the member is aged at 14 to 17 years old (inclusive); 2) the member has a diagnosis of Autism Spectrum Disorder and Intellectual Disability Disorder ; or 3) the member is housing unstable. The Category 3 per inpatient admission rate will apply when the admission meets at least one of the following: 1) the member is 13 years or younger; 2) the member is 65 years or older; or 3) the member is affiliated with another Massachusetts human services agency.
- (3) **Weekday Per Inpatient Admission Rates.** Weekday inpatient admission rates apply to member admissions occurring Monday through Friday. The Category 1 weekday per inpatient admission rate is established as 4.57% percent of the baseline admission value, resulting in a rate of \$350. The Category 2 weekday per inpatient admission rate is established as 19.57% of the baseline admission value added to the Category 1 inpatient admission rate, resulting in a rate of \$1850. The Category 3 weekday per inpatient admission rate is established as 34.25% of the baseline admission value added to the Category 1 inpatient admission rate, resulting in a rate of \$2975. The resulting weekday per inpatient admission rates are in effect as of October 1, 2022.
- (4) **Weekend Per Inpatient Admission Rates.** Weekend inpatient admission rates apply to member admissions occurring on Saturday or Sunday. The rates for the Category 1, Category 2, and Category 3 weekend per admission inpatient rates are the sum of the respective Category 1, Category 2, and Category 3 weekday per admission inpatient rates, plus 8.48% of the baseline admission value. This results in a Category 1 weekend per admission inpatient rate \$1000, a Category 2 weekend per admission inpatient rate of \$2500, and a Category 3 weekend per admission inpatient rate of \$3625. The resulting weekend per inpatient admission rates are in effect as of October 1, 2022.

Administrative Days

In rare instances MassHealth pays psychiatric hospitals for administratively necessary days (AND) using an all-inclusive daily rate paid for each AND. Payments for ANDs are made on a per diem basis, using an administratively necessary day per diem rate (AND rate) for the ongoing provision of appropriate clinical care until the date of discharge. The AND rate represents payment in full for all ANDs in all psychiatric hospitals. The AND rate is only applied following clinical case review between an inpatient psychiatric hospital and MassHealth to determine that:

1. clinical disposition calls for discharge;
2. barriers to discharge have been addressed and the discharge plan is ready to be executed;
3. date of discharge has been defined.

Effective October 1, 2022, the AND rate is \$705.83.

Payment for Outpatient Services

MassHealth pays private psychiatric hospitals for outpatient services using an outpatient cost-to-charge ratio. The outpatient cost-to-charge ratio is a fixed percentage that is applied to a hospital's Usual and Customary Charges for outpatient services. Payment for a particular outpatient service shall be equal to the product of the cost-to-charge ratio times the hospital's usual and customary charge for the outpatient service in effect on July 1, 2018, and as reported to the Center for Health Information and Analysis (CHIA).

This ratio is 64.8% and will be applied uniformly to all facilities.

The outpatient cost-to-charge ratios are as follows:

Hospital	Outpatient Cost-to-Charge Ratio
Arbour, Inc.	64.8%
Bournewood Hospital	64.8%
Haverhill Pavilion	64.8%
Hospital for Behavioral Health Medicine	64.8%
HRI Hospital, Inc.	64.8%
McLean Hospital	64.8%
Fuller Hospital	64.8%
Pembroke Hospital	64.8%
Southcoast Behavioral Health	64.8%
TaraVista Behavioral Health Hospital	64.8%
Walden Behavioral Health Hospital	64.8%
Westborough Behavioral Health Care Hospital	64.8%

Quality Performance Incentive Payment

Psychiatric hospitals may qualify for performance-based quality incentive payments. Incentive payments will be determined using the following factors:

1. **Baseline.** Baselines for psychiatric hospitals are calculated by taking average performance of qualifying hospitals using the Centers for Medicare and Medicaid Inpatient Psychiatric Facility Quality Reporting (IPFQR) for CY2020.
2. **Achievement Threshold.** The threshold for psychiatric hospitals is calculated by taking median performance of qualifying hospitals using the Centers for Medicare and Medicaid Inpatient Psychiatric Facility Quality Reporting (IPFQR) for CY2021.
3. **Performance Measurement.** Performance for psychiatric hospitals is measured by achievement of the threshold or improvement upon baseline for the IPFQR measure and compliance with reporting requirements for other measures, submission of a Quality Improvement Plan (QIP), successful attainment of QIP goals from the prior rate year.

The measures are weighted as follows:

- IPFQR – 50%;
- Submission of Quality Improvement Plan – 35%;
- Successful attainment of goals from prior-year's QIP – 15%.

4. **Payment.** Payment to psychiatric hospitals will be proportional to the performance measurement outcome.

Supplemental Pediatric Inpatient Per Diem Payment

Psychiatric hospitals may qualify for supplemental pediatric per diem payments. Supplemental payments will be determined using the following methodology:

1. **Baseline.** Baselines for psychiatric hospitals are calculated using each hospital's CY2019 utilization data for qualifying pediatric bed-days. Baselines equal the average utilization for that hospital over a six-month period, adjusted for seasonality and the COVID pandemic.
2. **Performance Period.** There are two six-month performance periods for psychiatric hospitals during RY23. Each six-month performance period has a separate baseline calculation.
3. **Payment.** Payment to psychiatric hospitals is made based on claims data for the two six-month performance periods, and is proportional to the increase in volume of qualifying bed-days over the baseline. Payment will be a supplemental per diem rate for all MassHealth member bed-days billed above the baseline. On a case-by-case basis, partial payments are available to psychiatric hospitals that confirm increased bed-day volume, subject to reconciliation. The supplemental per diem rate will be \$330 for pediatric bed-days.