



The Commonwealth of Massachusetts  
Executive Office of Health and Human Services  
Office of Medicaid  
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[www.mass.gov/eohhs](http://www.mass.gov/eohhs)

## NOTICE OF PROPOSED AGENCY ACTION

**SUBJECT:** MassHealth: Payment Rates for MassHealth Substance Abuse Treatment Hospitals

**AGENCY:** Massachusetts Executive Office of Health and Human Services

### SUMMARY OF PROPOSED ACTION:

Under the provisions of M.G.L. c. 118E, §13A, rates and terms of payment for services rendered by substance abuse treatment hospitals licensed by the Department of Public Health to patients eligible for 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 proposed methods and standards for the establishment of rates of payment by contract, effective November 1, 2022, between the Executive Office of Health and Human Services (EOHHS) and participating substance abuse treatment hospitals. The contract does not cover services provided to patients enrolled with the MassHealth Primary Care Clinician Plan's behavioral health contractor, or with other MassHealth-contracted managed care entities. There is currently one facility that meets these criteria, AdCare Substance Abuse Hospital.

### DESCRIPTION OF PROPOSED METHODS AND STANDARDS: INPATIENT, OUTPATIENT, AND QUALITY INCENTIVES

MassHealth pays substance abuse treatment hospitals using (1) an all-inclusive statewide inpatient per diem rate, (2) a hospital-specific cost-to-charge ratio for outpatient hospital services, and (3) a hospital-specific, performance-based quality incentive payment. The methods and standards described herein establish rates by contract that accurately reflect the efficient and economic provision of substance abuse treatment services. They are projected to result in a 57% increase in annual aggregate expenditures in Rate Year 2023 (RY2023). The change in aggregate annual expenditures is estimated to be \$182,756, but may vary depending on actual utilization of services. Included with this notice are the rates of payment effective November 1, 2022.

### 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 substance abuse treatment hospitals. Except as specified above, the MassHealth substance abuse treatment 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 substance abuse treatment hospitals.

Included with this notice are the proposed rates of payment effective November 1, 2022. The estimated change in aggregated expenditures reflects an increase in the inpatient per diem rate and updated payment methodology.

Published on Web: October 11, 2022

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

**Related Regulations:** 42 CFR Part 447.

EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES  
SUBSTANCE ABUSE TREATMENT HOSPITALS  
PROPOSED METHODS AND STANDARDS  
FOR RATES EFFECTIVE NOVEMBER 1, 2022

## DESCRIPTION OF METHODS AND STANDARDS

### Payment for Inpatient Services

The inpatient per diem rate is an all-inclusive daily rate paid for any and all inpatient care and services provided by substance abuse treatment hospitals to eligible MassHealth members. The per diem rate covers all treatment components such as room and board, routine nursing and hospital-based physician services, medications, initial substance abuse and psychiatric assessments, individual, family and group inpatient therapy services, radiology, ancillary services, overhead, and other services as is the customary practice among similar providers. The inpatient per diem rate was calculated as follows:

**The per diem rate of payment is calculated based on of two components: base year costs and inflation adjustments to base year costs.**

**(1) Base Year Costs:** Base year costs are calculated using the FY 2019 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.

**(2) Inflation Adjustment to Base Year Costs:** The base year rate is further updated to account for inflation from the base year. An inflationary adjustment factor to base year costs of 14.627% was sourced from 2019–2023 inflationary adjustment factors provided by the Center for Health Information and Analysis (CHIA).

The resulting inpatient payment rate in effect as of November 1, 2022, will be \$908.35.

### Payment for Outpatient Services

Substance abuse treatment hospitals will be paid for outpatient services using a hospital-specific cost-to-charge ratio derived from the FY 2008 HCF-403 cost reports filed with the Center for Health Information and Analysis (CHIA).

Effective November 1, 2022, EOHHS proposes to maintain the cost-to-charge ratio of 66.58% that is currently in effect.

### Quality Performance Incentive Payment

Substance abuse treatment hospitals may qualify for performance-based quality incentive payments. Incentive payments will be determined based on the following factors:

1. **Performance Measurement.** Qualifying substance abuse treatment hospitals will be measured by submission of meaningful use data and reporting on the quality improvement plan.

2. **Payment.** Payment to substance abuse treatment hospitals will be proportional to the completion of the meaningful use data submissions and reporting requirements.