

NOTICE OF PROPOSED AGENCY ACTION

SUBJECT: MassHealth: Payment Rates for MassHealth Substance Abuse Treatment Hospitals Effective October 1, 2025

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

SUMMARY OF PROPOSED AGENCY 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 payment rates by contract, effective October 1, 2025, 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 in this notice establish rates by contract that accurately reflect the efficient and economic provision of substance use disorder treatment services. They are projected to result in a 0% increase in annual aggregate expenditures in Rate Year 2026 (RY2026). The change in aggregate annual expenditures is estimated to be \$0 but may vary depending on actual use of services. Included with this notice are the rates of payment effective October 1, 2025.

JUSTIFICATION

All changes to hospital payment rates and methods described in this notice follow 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 RY2026 are substantially similar to those for RY2025. 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 rates of payment effective October 1, 2025. There is no estimated change to aggregated expenditures or payment methodology.

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To submit, or request copies of, written comments regarding RY2026 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 OCTOBER 1, 2025

DESCRIPTION OF METHODS AND STANDARDS

Payment for Inpatient Services

The inpatient per diem rate is an all-inclusive daily rate paid for 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 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 October 1, 2025, 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 October 1, 2025, EOHHS proposes to maintain the cost-to-charge ratio of 66.58% that is currently in effect.

Clinical Quality Incentive Payment

Substance abuse treatment hospitals may qualify for clinical quality-based incentive payments. Clinical quality incentive payments will be determined using the following factors:

1. **Benchmarks:** Benchmarks for substance abuse treatment hospitals use Northeast Regional HEDIS data for Medicaid recipients and 2022 historic hospital performance to establish an attainment threshold, a goal benchmark, and an improvement benchmark calculation.
2. **Hospital Achievement:** Performance achievement will be determined by the individual substance abuse treatment hospital's performance on each of the two measures as compared to benchmarks established using claims-extracted data for the performance measures. The performance measures are: Follow-up After High-Intensity Care for Substance Use Disorder (FUI 7 and FUI 30) and 30-Day Readmission Rate to the Same Level of Care or Higher Following Index Service Event to Inpatient Withdrawal Management (ASAM 4.0) or Acute Treatment services (ASAM 3.7) Services for Members with SUD Diagnosis (30-Day SUD Readmission).
3. **Performance Measurement:** Performance for substance abuse treatment hospitals is measured by comparing their achievement to the benchmarks for the measure as follows.
 - a. Attainment Target: Attainment points (maximum 9) will be awarded for performance achievement of at least the attainment threshold and less than the goal benchmark on a performance measure. The attainment threshold attainment points awarded will be proportional to performance achievement. Attainment points (10) will be awarded for performance achievement above the goal benchmark on a performance measure. The maximum number of attainment points available to a substance abuse treatment hospital in RY26 is 20.
 - b. Improvement Target: Improvement points (5) will be awarded for performance achievement demonstrating improvement relative to the improvement threshold for each performance measure. The maximum number of improvement points available to a substance abuse treatment hospital in RY26 is 10. Improvement points may be awarded whether or not the substance abuse treatment hospital meets the attainment threshold or goal benchmarks.
4. **Quality Scoring:** The quality score will be determined by adding the number of points awarded to the Substance Abuse Treatment Hospital for attainment and improvement, divided by the maximum number of attainment points (20 points). The resulting quality score represents a ratio value between 0 and 1.00 (inclusive of 0 and 1.00). In cases where the quality score is calculated and yields a score greater than 1.00, the quality score value is capped at 1.00.
5. **Payment:** The maximum amount of payment will be determined by multiplying the substance abuse treatment hospital's overall quality score (0-1.00) to determine the actual amount of payment by \$125,000.

Posted September 9, 2025