

## **NOTICE OF PROPOSED AGENCY ACTION**

**SUBJECT:** MassHealth: Payments to a Non-Acute Chronic Hospital effective October 1, 2016  
**AGENCY:** Massachusetts Executive Office of Health and Human Services

### **SUMMARY OF FINAL ACTION:**

Pursuant to the provisions of M.G.L. c. 118E, section 13A, rates and methods of payment for services rendered by chronic disease and rehabilitation hospitals to patients entitled to medical assistance under M.G.L. c. 118E, section 1 *et seq.* are established by contract between the MassHealth program and participating hospitals. This notice describes the proposed methods and standards used for the establishment of inpatient and outpatient rates by contract, effective October 1, 2016, between the Executive Office of Health and Human Services (EOHHS) and a privately-owned health care facility licensed by the Department of Public Health as a Non-Acute Chronic Hospital with no fewer than 500 licensed beds as of June 30, 2005, with no fewer than 150,000 Medicaid patient days in the state fiscal year ended June 30, 2006, and with an established geriatric teaching program for physicians, medical students, and other health professionals. There is currently one facility that meets these criteria, Hebrew Rehabilitation Center (HRC).

### **DESCRIPTION OF METHODS AND STANDARDS**

The methods and standards described herein are being proposed to establish rates by contract that accurately reflect the efficient and economic provision of chronic disease services and/or comprehensive rehabilitation services. The methods and standards described herein are projected to result in a 0.0% increase totaling approximately \$0.00 in annual aggregate expenditures in rate year (RY) 2017. However, the actual change in aggregate expenditures may vary depending on actual utilization of services.

Included with this notice are the proposed rates of payment effective October 1, 2016. Please send any written comments concerning this notice to Thomas Lane, MassHealth Office of Long Term Services and Supports, One Ashburton Place, 5<sup>th</sup> Floor, Boston, MA 02108. Copies of this notice detailing the proposed changes in payment methods and standards are also available in each county court law library in the Commonwealth.

**STATUTORY AUTHORITY:**  
M.G.L. c. 118E

Related Regulations:  
42 CFR, Part 447



**EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES  
HEBREW REHABILITATION CENTER  
FINAL METHODS AND STANDARDS  
FOR RATE EFFECTIVE October 1, 2016**

The following sections describe the proposed methods and standards utilized by the Executive Office of Health & Human Services (EOHHS) to establish rates of payment by contract, effective October 1, 2016, for services rendered by a privately-owned health care facility licensed by the Department of Public Health as a Non-Acute Chronic Hospital with no fewer than 500 licensed beds as of June 30, 2005, with no fewer than 150,000 Medicaid patient days in the state fiscal year ended June 30, 2006, and with an established geriatric teaching program for physicians, medical students, and other health professionals. There is one facility that meets these criteria, Hebrew Rehabilitation Center (HRC).

Section 1: Inpatient Per Diem Rates

The Inpatient Per Diem Rates are all-inclusive daily rates paid for any, and all, inpatient care and services provided by HRC to a MassHealth member. The rate of payment herein shall not be lower than the prior rate in effect for the previous state fiscal year, provided that a rate adjustment may be incorporated whenever attributable to cost misreporting, audit findings, non-allowable cost, adjustments required under M.G.L. c. 29, §9C or any other adjustment that is required by state or federal law. The Inpatient Per Diem Rates are derived using the following methods:

- A. Per Diem Rate -1: the per diem rate for rate year 2008 was derived by using the following method: the sum of HRC's total Inpatient Operating Costs (Schedule XVII, Line 21, Column 2) plus total Capital costs (Schedule XVIII, Line 21, Chronic/Rehab, Column 2 minus Schedule XVII, Line 21, Chronic/Rehab, Column 2), plus the Adjustments to Base Year Costs, divided by HRC's total base year patient days (Schedule V-A, Line 21, Column 2).

1. Data Sources.

- a. The base year for inpatient costs and the outpatient cost-to-charge ratio is the hospital fiscal year (HFY) 2007. The MassHealth program utilizes the costs, statistics and revenue reported in the HFY 2007 HCFP-403 cost report filed by HRC with the Division of Health Care Finance and Policy.
- b. Inpatient costs include only costs incurred or to be incurred in the provision of hospital care and services, supplies and accommodations and determined in accordance with the Principles of Reimbursement for Provider Costs under 42 U.S.C. §§1395 et seq. as set forth in 42 CFR 413 et seq. and the Provider Reimbursement Manual, the HURM Manual, and Generally Accepted Accounting Principles. All references to specific schedules, columns and lines refer to the HCFP-403 report filed with and reviewed by the Division of Health Care Finance and Policy (DHCFP). Except where noted, all references are to the HFY 2007 version of the HCFP-403.
- c. The calculations use HRC's costs and statistics, as adjusted as a result of audits or reviews conducted by DHCFP or successor agency. The MassHealth program may also request additional information, data and documentation from HRC or DHCFP or successor agency as necessary to calculate rates.
- d. If the specified data source is unavailable or inadequate, The MassHealth program will determine and use the best alternative data source and/or it may perform a statistical analysis to ensure comparability of data. If required information is not furnished by a hospital within the applicable time period, it may not receive any increase to its rate.

2. Determination of Base Year Inpatient Operating Costs. Base Year Inpatient Operating Costs are the sum of total Inpatient Direct Routine Costs, Inpatient Direct Ancillary Costs, and Inpatient Overhead Costs as described below.
  - a. Inpatient Direct Routine Costs. Inpatient Direct Routine Costs are the Total Inpatient Routine Costs derived from the HCFP-403.
  - b. Inpatient Direct Ancillary Costs. Inpatient Direct Ancillary Costs are the Total Inpatient Ancillary Costs derived from the HCFP-403.
  - c. Inpatient Overhead Costs. Inpatient Overhead Costs are the Total Inpatient Overhead Costs derived from the HCFP-403.
3. Calculation of the Base Year Inpatient Operating Per Diem. The Inpatient Operating Per Diem is calculated by dividing the sum of the Total Inpatient Operating Costs (Schedule XVII Line 21 Column 2) by the total inpatient days (Schedule V-A Line 21 Column 2).
4. Inpatient Capital Costs: Base year capital costs consist of the hospital's actual HFY 2007 patient care capital requirement for historical depreciation for building and fixed equipment; reasonable interest expenses; amortization and; leases and rental of facilities (Schedule XVIII Line 21 Column 2 minus Schedule XVII Line 21 Column 2)
5. Inpatient Capital Cost Per Diem. The Inpatient Capital Cost Per Diem is derived by dividing the total Inpatient Capital Costs by the total inpatient days (Schedule V-A Line 21 Column 2).
6. Adjustments to Base Year Costs.
  - a. Total inpatient operating costs will be updated using the CMS Excluded Hospital Market Basket. Total inpatient capital costs will be updated using the Medicare Market Basket Capital Input Price Index. These adjustment factors will be calculated as follows:
    - i. The base year price level will be the average of the four quarters of the applicable base year. The base year 2007 will be the fiscal year October 1, 2006 to September 30, 2007.
    - ii. The rate year price level will be the average of the four quarters of the applicable rate year. The rate year 2008 will be April 1, 2008 to March 31, 2009.
    - iii. The adjustment factor is the percent change between the base year period (i.) and the rate year period (ii.).
  - b. The limitations applicable to base year capital costs are:
    - i. Interest expense attributable to balloon payments on financed debt is excluded. Balloon payments are those in which the Final payment on a partially amortized debt is scheduled to be larger than all preceding payments.
    - ii. Where there was a change of ownership after July 18, 1984, the basis of the fixed assets used in the determination of depreciation and interest expense is the lower of the acquisition cost to the new owner or the basis allowed for reimbursement purposes to the immediate prior owner. The depreciation expense is calculated using the full useful lives of the assets.
    - iii. All costs (including legal fees, accounting, and administrative costs, travel costs, and the costs of feasibility studies) attributable to the negotiation or settlement of the sale or purchase of any capital asset after July 18, 1984 (by acquisition or merger), for which

payment has previously been made by any payer, and which have been included in any portion of prior years' rates, are subtracted from capital costs.

7. Effective April 1, 2009, the Per Diem Rate 1 is updated by a 4.3% increase.
  8. Effective April 1, 2010, the Per Diem Rate 1 is updated by a 4% increase.
  9. Effective April 1, 2011, the Per Diem Rate 1 is updated by a 4% increase.
  10. Effective October 1, 2012, the Per Diem Rate 1 will be updated by a 3% increase.
  11. Effective October 1, 2013, the Per Diem Rate 1 will be updated by a 2% increase.
  12. Effective October 1, 2014, the Per Diem Rate 1 will be updated by a 3% increase.
  13. Effective October 1, 2015, the Per Diem Rate 1 will be updated by a 3% increase.
  14. Effective October 1, 2016, the Per Diem Rate 1 will remain at the rate effective October 1, 2015, with an update factor of 0.00%.
- B. Per Diem Rate -2: This per diem rate is determined by averaging the current Rate Year payment rates for Chronic Disease and Rehabilitation Hospitals identified by the MassHealth program as having similar characteristics of treatment and populations. The Hospitals used to calculate the payment are: Braintree Hospital, Franciscan Hospital for Children, New Bedford Rehabilitation Hospital, New England Sinai Hospital, Kindred Hospital-Northeast, Vibra Hospital of Western Mass, Spaulding Rehabilitation Hospital-Boston, and Spaulding Hospital-Cambridge. This rate is comprehensive and all-inclusive covering both routine and ancillary services provided to inpatients by HRC.

#### Section 2: Outpatient Cost-to-Charge Ratio

The Outpatient Cost-to-Charge Ratio is a fixed percentage that is applied to HRC's Usual and Customary Charges for Outpatient Services, based on charges filed with the DHCFC or successor agency. Payment for a particular Outpatient Service shall be equal to the product of the Cost-to-Charge Ratio times HRC's Usual and Customary Charge for the Outpatient Service. Any such payment shall not exceed HRC's Usual and Customary Charge.

The Cost-to-Charge Ratio is calculated by dividing the outpatient costs (Schedule II Line 114 Column 10) by the outpatient service revenue (Schedule II Line 114 Column 11), as derived from the HFY 2006 HCFP-403 cost report.

Effective October 1, 2016, EOHHS proposes to maintain the outpatient cost-to-charge ratio which became effective October 1, 2013.

**MassHealth Inpatient and Outpatient Rates  
Effective October 1, 2016**

**Inpatient Per Diem 1**

**\$384.69**

**Inpatient Per Diem 2**

**\$956.82**

**Outpatient Cost/Charge Ratio**

**93.75%**