**Notice of Proposed Agency Action**

**SUBJECT**: MassHealth: Payments to a Non-Acute Chronic Hospital, effective October 1, 2026

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

## SUMMARY OF PROPOSED 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, 2026, 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 at least 500 licensed beds as of June 30, 2005; with at least 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 here are projected to result in an increase totaling approximately $1,000,000 in annual aggregate expenditures in rate year (RY) 2027. 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, 2026. Please send comments about this notice to Pavel Terpelets, MassHealth Office of Long-Term Services and Supports, One Ashburton Place, 10th Floor, Boston, MA 02108.

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

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

**Executive Office of Health and Human Services**

**Hebrew Rehabilitation Center**

**Proposed Methods and Standards**

**For Rates Effective October 1, 2026**

The following sections describe the proposed methods and standards utilized by the Executive Office of Health and Human Services (EOHHS) to establish rates of payment by contract, effective October 1, 2026, for services rendered by a privately owned health care facility licensed by the Department of Public Health as a non-acute chronic hospital with at least 500 licensed beds as of June 30, 2005; with at least 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 inpatient care and services provided by HRC to a MassHealth member. 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 - Tier 1: The Tier 1 inpatient per diem is derived using the following method: the sum of a hospital's base year operating costs (Section 1, Paragraph A.2.), and the allowable capital costs (Section 1, Paragraph A.4) divided by a hospital's base year patient days, inflated by the Adjustment to Base Year Operating and Capital Costs (Section 1, Paragraph A.6.).

    1. Data Sources.
        a. The base year for inpatient costs is the hospital fiscal year (HFY) 2016. The MassHealth program utilizes the costs, statistics, and revenue reported in the HFY 2016 Massachusetts Hospital Cost Report filed by HRC with the Center for Health Information & Analysis (CHIA).

        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 tabs, columns, and lines refer to the Massachusetts Hospital Cost Report filed with and reviewed by CHIA.

        c. The calculations use HRC's costs and statistics, as adjusted as a result of audits or reviews conducted by EOHHS. The MassHealth program may also request additional information, data, and documentation from HRC or CHIA 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 next.

   a. Inpatient Direct Routine Costs. Inpatient Direct Routine Costs are the Total Inpatient Routine Costs derived from the Massachusetts Hospital Cost Report.

   b. Inpatient Direct Ancillary Costs. Inpatient Direct Ancillary Costs are the Total Inpatient Ancillary Costs derived from the Massachusetts Hospital Cost Report.

   c. Inpatient Overhead Costs. Inpatient Overhead Costs are the Total Inpatient Overhead Costs derived from the Massachusetts Hospital Cost Report.

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 (Tab 2 Line 30.04 Column 8) by the total inpatient days (Tab 3 Line 3.01 Column 4).

4. Inpatient Capital Costs. Base year capital costs consist of the hospital's actual HFY 2016 patient care capital requirement for historical depreciation for building and fixed equipment; reasonable interest expenses; amortization and; leases and rental of facilities (Tab 17 Line 30.04 Column 1 minus Tab 18 Line 30.04 Column 1).

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 (Tab 3 Line 3.01 Column 4).

6. Adjustment to Base Year Operating and Capital Costs. The update factor, covering the period from the base year to the rate year beginning October 1, 2018, is 3.0%. The update factor covering the period October 1, 2019, through October 1, 2020, is 1.75%. The update factor covering the period beginning October 1, 2020, includes an additional update factor of 1.5%. As of January 1, 2023, the rate increased by an additional update factor of 14.49%. Beginning October 1, 2023, the rate increased by an additional update factor of 7.4% based on the costs reported by the hospital and an inflation estimate based on the Massachusetts Consumer Price Index. The update factor covering the period beginning October 1, 2024, includes a reduction of 2.1%.

B. Per Diem Rate - Tier 1.5: This per diem rate is based on a base per diem rate comprising the statewide AD routine per diem amount and the statewide AD ancillary per diem amount. The statewide AD routine per diem amount is derived from the weighted average Medicaid payment rate for case mix category T (10) patients in nursing facilities in 2003. The statewide AD ancillary per diem amount is derived from the statewide weighted average Medicaid ancillary payment for AD patients in chronic disease and rehabilitation hospitals in FY 2003. The sum of the routine per diem and ancillary add-on amount of $513.05 is inflated by 44.38% resulting in a Tier 1.5 per diem rate of $740.75.

C. Per Diem Rate - Tier 2: This per diem rate is determined by averaging the RY 2020 payment rates for chronic disease and rehabilitation hospitals identified by the MassHealth program as having similar characteristics of treatment and populations. The RY2020 hospital payment rates used to calculate the Tier 2 per diem rate are Encompass Hospital Braintree, 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.

Notwithstanding this information, Per Diem Rate 2 for RY 2026 was $1,257, the same as it was in RY 2025. Beginning in RY2027, Per Diem Rate 2 will stay at $1,257.

**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 CHIA. Payment for a particular outpatient service will be equal to the product of the Cost-to-Charge Ratio times HRC's Usual and Customary Charges on file with the Center for Health Information & Analysis (CHIA), as of July 1, 2017, for outpatient services. Any such payment will 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, 2026, EOHHS proposes to maintain the outpatient cost-to-charge ratio which became effective October 1, 2013.

**Section 3: Quality Performance Incentive Payment**

Subject to legislative authorization; compliance with all applicable federal statutes, regulations, and state plan provisions; the availability of funds; and full federal financial participation, in RY 2027 EOHHS will make $2.333M in total aggregate quality performance incentive payments to qualifying non-acute hospitals as described next.

A. Qualification. To qualify for a Quality Performance Incentive Payment in RY 2027, a non-acute chronic hospital must

    1. be a non-acute chronic hospital in Massachusetts with at least 500 licensed beds as of June 30, 2005; with at least 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, and that serves MassHealth members; and

    2. have recorded performance for the period January 1, 2025 – December 31, 2025, on the following Centers for Medicare & Medicaid Services (CMS) Medicare Minimum Data Set measures that exceed the state average (as reported by CMS): Percentage of long-stay patients with falls with severe injury and percentage of long-stay patients with depression who received an antipsychotic medication.

B. Payment. EOHHS will issue a RY 2027 Quality Performance Incentive Payment to qualifying non-acute chronic hospitals for RY2027 based on each qualifying non-acute chronic hospital's proportional number of qualifying Medicaid days (both Medicaid fee-for-service and managed care) within the total number of qualifying Medicaid days from all qualifying non-acute chronic hospitals during RY2027with one payment during April 2027.

**Section 4: Supplemental Payments**

Subject to legislative authorization; compliance with all applicable federal statutes, regulations, and state plan provisions; the availability of funds; and full federal financial participation, in RY 2027 EOHHS will make $6.65M in total aggregate supplemental payments to qualifying non-acute hospitals as described next.

A. Qualification. To qualify for a supplemental payment, a non-acute chronic hospital must

    1. be a non-acute chronic hospital in Massachusetts with at least 500 licensed beds as of June 30, 2005; with at least 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, and that serves MassHealth members; and

2. be a non-acute chronic hospital in Massachusetts with at least 15,000 Medicaid fee-for-service and managed care Inpatient Per Diem days in CY2024.

B. EOHHS will issue a RY2027 Supplemental Payment to qualifying non-acute chronic hospitals with one payment during RY2027.

**Hebrew Rehabilitation Center**

**MassHealth Inpatient and Outpatient Rates**

**Effective October 1, 2026**

**Inpatient Per Diem 1**

**$ 514.37**

**Inpatient Per Diem Rate 1.5**

**$740.75**

**Inpatient Per Diem 2**

**$1,257**

**Outpatient Cost/Charge Ratio**

**93.75%**