

## Notice of Final Agency Action

**SUBJECT:** MassHealth: Payment for Acute Hospital Services effective October 1, 2013

**AGENCY:** Massachusetts Executive Office of Health and Human Services (EOHHS), Office of Medicaid

### Introduction

The following describes and summarizes changes in MassHealth payment for services provided by in-state acute hospitals, effective for rate year 2014 (RY14) which begins October 1, 2013. A complete description of the RY14 MassHealth in-state acute hospital inpatient and outpatient payment methods and rates is attached. For further information regarding RY2014 payment methods and rates, you may contact Kiki Feldmar at the Executive Office of Health and Human Services, MassHealth Office of Providers and Plans, 100 Hancock Street, 6<sup>th</sup> Floor, Quincy, MA 02171, or by e-mail at [kiki.feldmar@state.ma.us](mailto:kiki.feldmar@state.ma.us).

### Changes in Payment Method

#### **1. Acute Hospital Inpatient Services**

##### **A. Summary of Rate Year 2014 (RY14) Methodology for Calculating the Standard Payment Amount Per Discharge (SPAD) and other Inpatient Service Payments**

During Rate Year 2014 (RY14), MassHealth will pay acute hospitals for Inpatient Admissions via a hospital-specific Standard Payment Amount per Discharge (SPAD). This fixed rate represents payment in full for all non-physician inpatient services for the first 20 days of an admission.

Except as otherwise specified below in this Section 1.A., each hospital's RY14 SPAD is calculated as follows. Each hospital's RY14 SPAD is derived from the statewide average hospital cost per admission in federal fiscal year 2011 (FFY 2011), standardized for casemix differences and area wage variation. An efficiency standard is determined by capping hospital costs, weighted by MassHealth discharges, at the 65% level of costs. The statewide average is adjusted for inflation and outliers. Costs EOHHS determines are routine outpatient costs associated with admissions from the emergency department and routine and ancillary outpatient costs resulting from admissions from observation status are included in the calculation of the statewide average hospital cost per admission. For each hospital, this statewide average is then adjusted for each hospital's wage area index and each hospital's specific casemix index. Included in the calculation of each hospital-specific casemix index are the hospital's federal fiscal year 2012 (FFY 2012) paid SPAD, outlier and transfer per diem claims residing in the Medicaid Management Information System (MMIS) for which MassHealth is the primary payer.

Certain categories of costs are directly passed through into the hospital's rate (that is, they are excluded from the statewide average and efficiency adjustments). The inpatient portion of hospital-specific costs for malpractice insurance and organ acquisition are treated as "pass-

throughs” and are derived from the FFY 2012 -403 Cost Report. The calculation of the pass-through payment amounts includes:

- a determination of the hospital-specific volume of all-payer days, which is based on data obtained by the Center for Health Information and Analysis (CHIA), and
- the hospital-specific MassHealth average length of stay, which is based on data obtained from MMIS.

Capital payments are paid on a per-discharge basis, and are efficiency-adjusted. Capital costs are based on each hospital’s FFY 2011 -403 Cost Report, updated for the hospital’s casemix index and inflation to the current year. The calculation of the capital payment amounts includes:

- a determination of the hospital-specific volume of all-payer discharges which is based on data obtained by CHIA, and
- the hospital-specific volume of MassHealth discharges, which is based on data obtained from MMIS.

For Hospitals with Pediatric Specialty Units, payment for admissions to the Pediatric Specialty Unit for which a SPAD is otherwise payable is made using a Pediatric SPAD. The Pediatric SPAD is calculated using the same methodology as the SPAD, except that the casemix index, discharges, and average length of stay are based on data from the Pediatric Specialty Unit.

Each hospital for which the actual volume of potentially preventable readmissions (PPRs) exceeds the hospital’s expected PPR volume will have its SPAD (including Pediatric SPAD) reduced by a hospital-specific percentage, up to a maximum of 4.4%. The reduction will be proportional to the hospital’s excess payment associated with its PPRs by accounting for the hospital’s (i) excess PPR volume, (ii) hospital-specific SPAD, and (iii) discharge volume. The calculation also includes a multiplier of 3 as an incentive for hospitals to reduce PPRs. The SPAD reduction is partially offset if the hospital improved its PPR rate from its RY13 PPR rate.

The two hospitals first enrolled in MassHealth in November 2012 will be paid a modified RY14 SPAD, using alternative data sources, but otherwise substantially utilizing the same methodology as the RY14 SPAD methodology described above.

Payment to Critical Access Hospitals will be calculated to provide an amount equal to 101% of the Critical Access Hospital’s allowable costs as determined by EOHHS utilizing the Medicare cost-based reimbursement methodology for both inpatient and outpatient services. Interim payments will be made to Critical Access Hospitals, which are subject to final settlement. The interim inpatient SPAD, transfer per diem and outlier per diem rates, and the interim outpatient PAPE rates are calculated based on the hospital’s FFY 2012 -403 cost reports utilizing a cost-to-charge ratio methodology of 101% of costs for the SPAD and PAPE.

EOHHS pays acute hospitals on a per diem basis under certain circumstances. Psychiatric services delivered in DMH-licensed psychiatric beds of acute hospitals are paid an all-inclusive statewide psychiatric per diem rate and acute hospitals are paid rehabilitation per diem for services delivered in Rehabilitation Units. Services delivered to individuals who transfer among

hospitals or among certain settings within a hospital, as well as covered inpatient outlier days and administrative days, are paid per diem rates.

## **B. Summary of Changes**

The payment method for acute inpatient hospital services includes the following changes from the RY13 payment method:

1. To calculate the RY14 SPAD:
  - The SPAD Base Year utilized for determining the statewide average hospital cost per admission was updated to FFY 2011, and inflation was applied for price changes between RY11 and RY14.
  - MMIS data for FFY 2012 was utilized to determine the hospital-specific casemix index.
  - The operating efficiency standard used in the determination of the statewide average payment amount per discharge was set at the 65% level of costs.
  - The inflation factor that was applied for price changes between RY13 and RY14 was 1.405% for operating costs and 1.40% for capital costs.
  - The percentage SPAD reduction for hospitals with a greater than expected PPR rate will be hospital-specific, up to a maximum of 4.4%. The reduction will be proportional to the hospital's excess payments associated with its PPRs, and applies a multiplier of 3. The SPAD reduction will be partially offset for hospitals with an improved PPR rate from RY13.
2. The median nursing facility rate utilized in the calculation of the administrative day (AD) rate was updated, and an inflation update of 1.348% was applied.
3. An inflation update of 1.405% was applied to the psychiatric per diem rate.
4. The RY14 median rate for Rehabilitation Hospitals was used for the per diem for Acute Hospital Rehabilitation Units
5. The two acute hospitals first enrolled in November 2012 will be paid a modified RY14 SPAD, using the same alternative data sources that were used in RY13.
6. For Critical Access Hospitals, payment will be calculated to provide an amount equal to 101% of the Hospital's allowable costs utilizing the Medicare cost-based reimbursement methodology for both inpatient and outpatient services.
7. Hospitals with greater than 63% of gross patient service revenue (GPSR) from governmental payers and free care, as determined by EOHHS, will not receive 5% add-on to their RY14 SPAD. See section 3 below, for supplemental payments that will be made to these hospitals.
8. The high casemix payment to Freestanding Pediatric Acute Hospitals and Pediatric Specialty Units equal to 85% of the Hospital's/Pediatric Specialty Unit's expenses for inpatient services for children whose casemix acuity is equal to or greater than 5.0 will not be applied. See Section 3, below, for supplemental payments that will be made to Freestanding Pediatric Acute Hospitals and Hospitals with Pediatric Specialty Units.

## **2. Outpatient Services**

### **A. Summary of Rate Year 2014 Methodology for Calculating the Payment Amount Per Episode (PAPE) and Other Acute Outpatient Hospital Service Payments**

The Payment Amount Per Episode (PAPE) methodology establishes a hospital-specific episodic rate for most MassHealth acute outpatient hospital services. Except for critical access hospitals and the two hospitals first enrolled in November of 2012, each hospital-specific RY14 PAPE is a blended rate that equally weights the hospital's RY13 PAPE in effect on 9/30/13 and the preliminary RY14 PAPE determined as described below; provided, however, that no hospital's RY14 PAPE shall be less than 90% of the hospital's RY13 PAPE in effect on September 30, 2013.

The hospital-specific preliminary RY14 PAPE is based on an outpatient standard payment adjusted for hospital-specific casemix. Certain services, including laboratory services, are carved out of the PAPE calculation and payment. Laboratory and other carve-out services are paid for in accordance with the applicable fee schedules in regulations adopted by DHCFP, or successor regulations, as applicable.

Calculation of the outpatient statewide standard is based on MassHealth payments for outpatient services in the PAPE Base Year, as adjusted by (1) including outlier payments, (2) excluding payments for laboratory services, and (3) bundling only services received on the same day. The result of this calculation is adjusted for inflation to obtain the outpatient statewide standard for Hospital Rate Year 2014. The hospital-specific preliminary RY14 PAPE is determined by multiplying the outpatient statewide standard by each hospital's casemix index calculated by EOHHS.

The RY14 PAPE for the two hospitals first enrolled in November 2012 will be an amount equal to the median outpatient RY14 PAPE for all other in-state acute hospitals participating in MassHealth.

Payment to Critical Access Hospitals for services for which a PAPE is paid will be calculated based on the methodology described in Section 1.A., above.

### **B. Summary of Changes**

The payment method for acute outpatient hospital services includes the following changes from the RY13 payment method:

1. The RY14 PAPE is an equal blend of the Hospital's RY13 PAPE and the preliminary RY14 PAPE calculation; provided that, no Hospital's RY14 PAPE shall be less than 90% of its RY13 PAPE.
2. To calculate the preliminary RY14 PAPE, an inflation update of 1.405% for operating costs was applied.

3. The RY14 PAPE for the two hospitals first enrolled in November 2012 will be an amount equal to the median outpatient RY14 PAPE for all other in-state acute hospitals participating in MassHealth.
4. For Critical Access Hospitals, see Section 1.A., above.

### **3. Supplemental Hospital Payments**

In addition to the payments specified above, EOHHS makes supplemental payments to certain qualifying hospitals. Supplemental payments are made to hospitals that qualify as Essential MassHealth Hospitals, Acute Hospitals with High Medicaid Discharges, and High Medicaid Volume Freestanding Pediatric Acute Hospitals.<sup>1</sup> These state plan supplemental payment methods are substantially similar to the RY13 supplemental payment methods. In addition, RY14 changes include the following new supplemental payment methods:

1. Disproportionate Share Hospital Supplemental Payment: A qualifying hospital with greater than 63% of gross patient service revenue (GPSR) from governmental payers and free care, as determined by MassHealth, will receive a supplemental payment equal to the sum of 10% of its total FFY 2013 SPAD payments and 5% of its total FFY 2013 PAPE payments.
2. Freestanding Pediatric Acute Hospital High Complexity Supplemental Payment: To account for the complex pediatric cases they provide care for, qualifying Freestanding Pediatric Acute Hospitals will receive a supplemental payment in an amount which will be determined by apportioning a total of \$11.8 M to qualifying hospitals on a pro-rata basis according to each qualifying hospital's number of inpatient discharges in the RY13 period 1/1/13 – 9/30/13.
3. Pediatric Specialty Unit High Complexity Supplemental Payment: To account for the complex pediatric cases they provide care for, qualifying hospitals with Pediatric Specialty Units will receive a supplemental payment in an amount which will be determined by apportioning a total of \$3M to qualifying hospitals on a pro rata basis according to each qualifying hospital's number of inpatient discharges in the RY13 period 1/1/13 – 9/30/13.
4. Supplemental Payment for Hospitals with High Volume Neonatal and Pediatric Intensive Care Unit (ICU) Services: EOHHS will make a supplemental payment of not more than \$200,000 to qualifying hospitals to support their provision of inpatient neonatal and pediatric ICU services. A hospital is a qualifying hospital if it has at least 108 beds licensed as pediatric, pediatric ICU, or neonatal ICU beds, of which at least 55 must be licensed as neonatal ICU beds.

### **4. Pay for Performance**

The Pay-for-Performance (P4P) program provides a method for quality scoring and converting quality scores to payments contingent upon hospital adherence to quality standards and achievement of performance thresholds and benchmarks in accordance with the provisions of G.L. c. 118E, sec. 13B.

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<sup>1</sup> The High Medicaid Volume Freestanding Pediatric Acute Hospital supplemental payment method was formerly known as the Freestanding Pediatric Acute Hospital supplemental payment method. The qualifying hospital and payment remains the same.

The maximum allocated amount for P4P for RY14 remains at \$50.0M, which is planned to be paid in a subsequent rate year following finalization of RY14 P4P data. RY14 changes to the P4P program include:

1. The care coordination measure set will change from pay-for-reporting to pay-for-performance and will be included in the Health Disparities Composite Measure.
2. The Emergency Department measure set, which was introduced during FY13, will be included in the payment determinations within the \$50.0M maximum allocation.
3. The two hospitals newly enrolled in November 2012 will become eligible for P4P payment for RY14.

### **Justification**

The MassHealth acute hospital payment methods for Rate Year 2014 are substantially similar to those for Rate Year 2013, except as specified above. 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 acute hospitals.

### **Estimated Fiscal Effect**

EOHHS estimates that the changes described herein will result in a \$112 million increase in annual aggregate in-state acute hospital state plan expenditures.

**Statutory Authority:** M.G.L. c.118E; St. 2013, c. 38; St. 2012, c. 224; 42 USC 1396a; 42 USC 1396b.

**Related Regulations:** 130 CMR 410, 415, 450; 42 CFR Part 447.

## Section 2: Definitions

The following terms appearing capitalized throughout this RFA and its appendices shall be defined as follows, unless the context clearly indicates otherwise.

**Administrative Day (AD)** — a day of inpatient hospitalization on which a Member's care needs can be provided in a setting other than an Acute Hospital, and on which the Member is clinically ready for discharge, but an appropriate institutional or non-institutional setting is not readily available. See 130 CMR 415.415 and 415.416.

**Behavioral Health (BH) Contractor** — the entity with which EOHHS contracts to provide Behavioral Health Services to enrolled Members.

**Behavioral Health Services** — services provided to Members who are being treated for psychiatric disorders or substance-related disorders.

**Casemix** — the description and categorization of a hospital's patient population according to criteria approved by EOHHS including, but not limited to, primary and secondary diagnoses, primary and secondary procedures, illness severity, patient age and source of payment.

**Center for Health Information and Analysis (CHIA)** – The Center for Health Information and Analysis established under M.G.L. c. 12C, or its predecessor agency, DHCFFP.

**Centers for Medicare & Medicaid Services (CMS)** — the federal agency under the Department of Health and Human Services that is responsible for administering the Medicare and Medicaid programs.

**Charge** — the uniform price for each specific service within a Revenue Center of an Acute Hospital.

**Clinical Laboratory Service** — Microbiological, serological, chemical, hematological, biophysical, radio bioassay, cytological, immunohematological, immunological, pathological, or other examinations of materials derived from the human body, to provide information for the assessment of a medical condition or for the diagnosis, prevention, or treatment of any disease.

**Coinsurance** — a percentage of cost or a fee established by a Third-Party Insurance carrier for a specific service or item for which an individual is responsible when the service or supply is delivered. This cost or fee varies according to the individual's insurance carrier.

**Commonwealth Health Insurance Connector (Connector)** — the authority established by G.L. chapter 176Q, section 2.

**Commonwealth Care Health Insurance program (Commonwealth Care)** — a program established by G.L. chapter 118H, section 2 and administered by the Connector, in consultation with the Office of Medicaid, which provides subsidies to assist eligible individuals in purchasing health insurance.

**Community-Based Physician** — any physician or physician group practice, excluding interns, residents, fellows, and house officers, who is not a Hospital-Based Physician. For purposes of this definition and related provisions, the term physician includes dentists, podiatrists, and osteopaths.

**Contract** (also **Hospital Contract** or **Agreement**) — the agreement executed between each selected Hospital and EOHHS, which is contained in **Appendix A** attached hereto, and incorporates all of the provisions of this RFA. Unless the context indicates that the term “RFA” refers exclusively to the procurement document as such, references to RFA shall constitute references to the Contract (or Agreement).

**Contractor** — each Hospital that is selected by EOHHS after submitting a satisfactory application in response to this RFA and that enters into a Contract with EOHHS to meet the purposes specified in this RFA.

**Copayment** — a predetermined fee that the Member is responsible for paying directly to the Provider for specific services.

**Critical Access Hospital (CAH)** – An Acute Hospital that is certified by CMS and designated as a Critical Access Hospital under 42 U.S.C. 1395i-4.

**Deductible** — the amount an individual is required to pay in each calendar year, as specified in their insurance plan, before any payments are made by the insurer.

**Department of Mental Health (DMH)** — a department of the Commonwealth of Massachusetts, Executive Office of Health and Human Services.

**Department of Public Health (DPH)** — a department of the Commonwealth of Massachusetts, Executive Office of Health and Human Services.

**Division of Health Care Finance and Policy (DHCFP)** — a division of the Commonwealth of Massachusetts, Executive Office of Health and Human Services, or successor agency.

**DMH-Licensed Bed** — a bed in a Hospital that is located in a unit licensed by the Department of Mental Health (DMH), pursuant to 104 CMR 27.00 et seq.

**Emergency Aid to the Elderly, Disabled and Children** — the program operated by the Department of Transitional Assistance, pursuant to M.G.L. c. 117A, that furnishes and pays for limited medical services to eligible persons.

**Emergency Department (ED)** — a Hospital’s Emergency Room or Level I Trauma Center which is located at the same site as the Hospital’s inpatient department.

**Emergency Medical Condition** — a medical condition, whether physical or mental, manifesting itself by symptoms of sufficient severity, including severe pain, that, in the absence of prompt medical attention, could reasonably be expected by a prudent layperson who possesses an average knowledge of health and medicine to result in placing the health of a Member or another person or,

in the case of a pregnant woman, the health of the woman or her unborn child, in serious jeopardy, serious impairment to body function, or serious dysfunction of any bodily organ or part, or, with respect to a pregnant woman, as further defined in section 1867(e)(1)(B) of the Social Security Act, 42 U.S.C. § 1395dd(e)(1)(B).

**Emergency Services** — covered Inpatient and Outpatient Services, including Behavioral Health Services, which are furnished to a Member by a Provider that is qualified to furnish such services under Title XIX of the Social Security Act, and are needed to evaluate or stabilize a Member's Emergency Medical Condition.

**Enhanced Ambulatory Patient Group (EAPG)** — a group of Outpatient Services that have been bundled for purposes of categorizing and measuring casemix. It is based on the 3M Corporation's EAPG Grouper Version 3.6.

**Episode** — all Outpatient Services, except those described in **Section 4.C** and **Sections 5.C.3** through **5.C.8**, delivered to a MassHealth Member where the services were delivered on a single calendar day.

**Episode Cost** — a Hospital's cost for delivering an Episode of care as determined by MassHealth and calculated as follows: Episode Cost is the product of the Hospital's charges for those claim lines of an Episode that adjudicate to pay and the outpatient cost-to-charge ratio as calculated by EOHHS.

**Excluded Units** — Non-Acute Units as defined in this section; any unit which has a separate license from the Hospital; psychiatric and substance abuse units; and non-distinct observation units.

**Executive Office of Health and Human Services (EOHHS)** — the single state agency that is responsible for the administration of the MassHealth Program, pursuant to M.G.L. c. 118E and Titles XIX and XXI of the Social Security Act and other applicable laws and waivers.

**Fiscal Year (FY)** - The time period of 12 months beginning on October 1 of any calendar year and ending on September 30 of the immediately following calendar year.

**Freestanding Pediatric Acute Hospital** — an Acute Hospital which limits admissions primarily to children and which qualifies as exempt from the Medicare prospective payment system regulations.

**Gross Patient Service Revenue** — the total dollar amount of a Hospital's charges for services rendered in a fiscal year.

**High Medicaid Volume Freestanding Pediatric Acute Hospital** – a Freestanding Pediatric Acute Hospital with more than 1,000 Medicaid discharges in FY12 for which a SPAD was paid, as determined by paid claims in MMIS as of May 11, 2013, and for which MassHealth was the primary payer.

**Hospital** (also **Acute Hospital**) — any Hospital licensed under M.G.L. c. 111, § 51 and which meets the eligibility criteria set forth in **Section 3** of this RFA.

**Hospital-Based Physician** — any physician or physician group practice (excluding interns, residents, fellows, and house officers) who contracts with a Hospital to provide Hospital Services to Members at a site for which the hospital is otherwise eligible for reimbursement under this RFA. For purposes of this definition and related provisions, the term physician includes dentists, podiatrists, and osteopaths. Nurse practitioners, nurse midwives, physician assistants, and other allied health professionals are not Hospital-Based Physicians.

**Hospital Discharge Data (HDD)** —Hospital discharge filings, as provided and verified by each hospital and submitted to CHIA, including (1) FY11 Acute Hospital casemix data as screened and updated by CHIA as of June 13, 2013, for purposes of **Section 5.B**, on SPAD rate development, (2) Acute Hospital casemix data as screened and updated by CHIA as of May 31, 2013, for the 13-month period of September 1, 2011 through September 30, 2012 for purposes of **Section 8.1** on 30-Day Potentially Preventable Readmissions; and (3) Acute Hospital casemix data as accepted by CHIA into CHIA’s database as of a date that will be determined by EOHHS, for the period October 1, 2012 through September 30, 2013 (FY13 HDD) for purposes of **Section 7** on Pay-for-Performance Quality Reporting Requirements and Payment Methods.

**Hospital-Licensed Health Center (HLHC)** — a Satellite Clinic that (1) meets MassHealth requirements for reimbursement as an HLHC as provided at 130 CMR 410.413; and (2) is approved by and enrolled with MassHealth’s Provider Enrollment Unit as an HLHC.

**Inflation Factors for Administrative Days** — an inflation factor that is a blend of the Center for Medicare and Medicaid Services (CMS) market basket and the Massachusetts Consumer Price Index (CPI). Specifically, the CPI replaces the labor-related component of the CMS market basket to reflect conditions in the Massachusetts economy. The Inflation Factor for Administrative Days is as follows:

1.348% reflects the price changes between RY13 and RY14

**Inflation Factors for Capital Costs** — the factors used by CMS to update capital payments made by Medicare, which is based on the CMS Capital Input Price Index. The Inflation Factors for Capital Costs between RY04 and RY14 are as follows:

0.7% reflects the price changes between RY04 and RY05  
0.7% reflects the price changes between RY05 and RY06  
0.8% reflects the price changes between RY06 and RY07  
0.9% reflects the price changes between RY07 and RY08  
0.7% reflects the price changes between RY08 and RY09  
1.4% reflects the price changes between RY09 and RY10  
1.5% reflects the price changes between RY10 and RY11  
1.5% reflects the price changes between RY11 and RY12  
1.2% reflects the price changes between RY12 and RY13  
1.4% reflects the price changes between RY13 and RY14

**Inflation Factors for Operating Costs** — for price changes between RY04 and RY07, and between RY08 and RY14, a blend of the Center for Medicare and Medicaid Services (CMS) market basket and the

Massachusetts Consumer Price Index (CPI) in which the CPI replaces the labor-related component of the CMS market basket to reflect conditions in the Massachusetts economy. For price changes between RY07 and RY08, the inflation factor for operating costs is the CMS market basket. The Inflation Factors for Operating Costs between RY04 and RY14 are as follows:

- 1.186% reflects price changes between RY04 and RY05
- 1.846% reflects price changes between RY05 and RY06
- 1.637% reflects price changes between RY06 and RY07
- 3.300% reflects price changes between RY07 and RY08
- 3.000% reflects price changes between RY08 and RY09 for the period October 1, 2008 through December 6, 2008
- 1.424% reflects price changes between RY08 and RY09 for the period December 7, 2008 through September 30, 2009
- 0.719% reflects the price changes between RY09 and RY10
- 1.820% reflects the price changes between RY10 and RY11
- 1.665% reflects the price changes between RY11 and RY12
- 1.775% reflects the price changes between RY12 and RY13
- 1.405% reflects the price changes between RY13 and RY14

**Inpatient Admission** — the admission of a Member to an Acute Hospital for the purpose of receiving Inpatient Services in that Hospital.

**Inpatient Services** — medical services, including behavioral health services, provided to a Member admitted to an Acute Hospital. Payment rules regarding Inpatient Services are found in 130 CMR Parts 415 and 450, the regulations referenced therein, Appendix F to the MassHealth Acute Inpatient Hospital Manual, MassHealth billing instructions, and this RFA.

**Insurance Payment** — a payment received from any entity or individual legally responsible for paying all or part of the medical claims of MassHealth Members. Sources of payments include, but are not limited to: commercial health insurers, Medicare, MCOs, personal injury insurers, automobile insurers, and Workers' Compensation.

**Liability** — the obligation of an individual to pay, pursuant to the individual's Third-Party Insurance, for the services or items delivered (i.e., Coinsurance, Copayment or Deductible).

**Managed Care Organization (MCO)** — any entity with which EOHHS contracts to provide Primary Care and certain other medical services, including behavioral health services, to Members on a capitated basis and which meets the definition of an MCO as set forth in 42 CFR Part 438.2. MCOs also include Senior Care Organizations (SCOs) and CarePlus MCOs. In addition, MCOs include One Care plans for all purposes under this RFA, except for **Section 4.A.2** and **Section 7**. MCOs also contract with the Connector to provide services to Commonwealth Care enrollees.

**MassHealth (also Medicaid)** — the Medical Assistance Program administered by EOHHS to furnish and pay for medical services pursuant to M.G.L. c. 118E and Titles XIX and XXI of the Social Security Act, and any approved waivers of such provisions.

**MassHealth Average Length of Stay (ALOS)** — the sum of non-psychiatric inpatient days for MassHealth discharges from October 1, 2011, through September 30, 2012, as determined utilizing MMIS paid claims where MassHealth is the primary payer, including paid Outlier Days, divided by the number of discharges using the casemix data residing in MMIS as of May 11, 2013.

**Medicaid Management Information System (MMIS)** — the state-operated system of automated and manual processes, certified by CMS, that meets the federal guidelines in Part 11 of the State Medicaid Manual, used to process Medicaid claims from providers of medical care and services furnished to Members, and to retrieve and produce service utilization and management information for program administration and audit purposes.

**Member** — a person determined by EOHHS to be eligible for medical assistance under the MassHealth program.

**Non-Acute Unit** — a chronic care, rehabilitation, or skilled nursing facility unit within a Hospital.

**Observation Services** — outpatient Hospital Services provided anywhere in an Acute Hospital to evaluate a Member's condition and determine the need for admission to an Acute Hospital. Observation Services are provided under the order of a physician, consist of the use of a bed and intermittent monitoring by professional licensed clinical staff, and may be provided for more than 24 hours. Payment rules regarding Observation Services are found in 130 CMR 410.414, Appendix E to the MassHealth Acute Outpatient Hospital Manual, MassHealth billing instructions, and this RFA.

**One Care: MassHealth plus Medicare (One Care plan)** – a health plan or provider-based organization contracted with EOHHS and CMS, and accountable for providing integrated care to individuals age 21 through 64 at the time of enrollment who are eligible for both Medicare and MassHealth Standard or CommonHealth and who do not have any other comprehensive public or private health care coverage. A One Care plan is also known as an Integrated Care Organization (ICO).

**Outlier Day** — each day beyond 20 acute days, during a single admission, for which a Member remains hospitalized at acute status, other than in a DMH-Licensed Bed or an Excluded Unit.

**Outpatient Department (also Hospital Outpatient Department)** — a department or unit located at the same site as the Hospital's inpatient facility, or at a School-Based Health Center that operates under the Hospital's license and provides services to Members on an ambulatory basis. Hospital Outpatient Departments include day surgery units, Primary Care clinics, specialty clinics, and Emergency Departments.

**Outpatient Services (also Outpatient Hospital Services)** — medical services, including behavioral health services, provided to a Member on an outpatient basis, by or under the direction of a physician or dentist, in a Hospital Outpatient Department or Satellite Clinic for which a reimbursement method is specified in **Section 5.C**. Such services include, but are not limited to, Emergency Services, Primary Care services, Observation Services, ancillary services, and day surgery services. Payment rules regarding services provided to Members on an outpatient basis are

found in 130 CMR Parts 410 and 450, Appendix F to the MassHealth Acute Outpatient Hospital Manual, MassHealth billing instructions, and this RFA.

**PAPE Base Year** — FY12, paid as of April 30, 2013.

**PAPE Covered Services** — MassHealth-covered Outpatient Services provided by Hospital Outpatient Departments or Satellite Clinics, except those services described in **Section 4.C** and **Sections 5.C.3** through **5.C.8**.

**Pass-Through Costs** — organ acquisition and malpractice costs that are paid on a cost-reimbursement basis and are added to the Hospital-specific standard payment amount per discharge.

**Patient** — a person receiving health care services from a hospital.

**Pay-for-Performance Program for Acute Hospitals (P4P)** — MassHealth's method for quality scoring and converting quality scores to rate payments contingent upon Hospital adherence to quality standards and achievement of performance thresholds and benchmarks in accordance with the provisions of G.L. c. 118E, sec. 13B.

**Payment Amount Per Episode (PAPE)** — a Hospital-specific payment for all PAPE Covered Services provided by a Hospital to a MassHealth Member on an outpatient basis in one Episode except those services described in **Section 4.C** and **Sections 5.C.3** through **5.C.8**.

**Pediatric Specialty Unit** — a designated pediatric unit, pediatric intensive care unit, or neonatal intensive care unit in an Acute Hospital other than a Freestanding Pediatric Acute Hospital, in which the ratio of licensed pediatric beds to total licensed Hospital beds as of July 1, 1994, exceeded 0.20, and which qualifies for a Pediatric Standard Payment Amount Per Discharge, as set forth in the qualifying Hospital's **Appendix C**.

**Pediatric Standard Payment Amount Per Discharge** — a Hospital-specific all-inclusive payment for the first twenty cumulative acute days of a Pediatric inpatient hospitalization in a Pediatric Specialty Unit, which is complete payment for an acute episode of illness, excluding the additional payment of Outlier Days, Transfer Per Diems, Administrative Days and Physician Payments.

**Primary Care** — all health care services customarily furnished by or through a general practitioner, family physician, internal medicine physician, obstetrician/gynecologist, pediatrician, nurse practitioner, or nurse midwife to the extent the furnishing of those services is legally authorized in the Commonwealth.

**Primary Care Clinician (PCC)** — a physician, independent nurse practitioner, group practice organization, community health center, Hospital-Licensed Health Center or Acute Hospital Outpatient Department with an executed MassHealth PCC Plan Provider contract.

**Primary Care Clinician Plan (PCC Plan)** — a comprehensive managed care plan, administered by EOHHS, through which enrolled MassHealth Members receive Primary Care, behavioral health, and other medical services. See 130 CMR 450.118.

**Provider** — an individual or entity that has a written contract with EOHHS to provide medical goods or services to Members.

**Psychiatric Per Diem** — a statewide per diem payment for psychiatric services provided to members in DMH-Licensed beds who are not enrolled with the BH Contractor or MCO.

**Psychiatric Per Diem Base Year** — the base year for the psychiatric per diem is FY04, using FY04 -403 cost reports as screened and updated as of March 10, 2006.

**Public Service Hospital** — any public Acute Hospital or any Acute Hospital operating pursuant to Chapter 147 of the Acts & Resolves of 1995 which has a private sector payer mix that constitutes less than 35% of its Gross Patient Service Revenue (GPSR) and where uncompensated care constitutes more than 5% of its GPSR.

**Quality and Performance Initiatives** — data-driven systemic efforts, anchored on measurement-driven activities, including Pay-for-Performance (P4P) initiatives, to improve performance of health-delivery systems that result in positive outcomes and cost-effective care.

**Rate Year (RY)** — generally, the period beginning October 1 and ending the following September 30. Please note that RY14 will begin on October 1, 2013, and end on September 30, 2014.

**Rate Year 2013 (RY13)** – The period beginning January 1, 2013 and ending on September 30, 2013.

**Rehabilitation Services** — services provided in an Acute Hospital that are medically necessary to be provided at a Hospital level of care, to a member with medical need for an intensive rehabilitation program that requires a multidisciplinary coordinated team approach to upgrade his/her ability to function with a reasonable expectation of significant improvement that will be of practical value to the Member measured against his/her condition at the start of the rehabilitation program.

**Rehabilitation Unit** — a distinct unit of rehabilitation beds in a Department of Public Health (DPH)-licensed Acute Hospital that provides comprehensive Rehabilitation Services to Members with appropriate medical needs.

**Revenue Center** — a functioning unit of a Hospital that provides distinctive services to a patient for a charge.

**Satellite Clinic** — a facility that operates under a Hospital's license, is subject to the fiscal, administrative, and clinical management of the Hospital, provides services to Members solely on an outpatient basis, is not located at the same site as the Hospital's inpatient facility, and demonstrates to EOHHS' satisfaction that it has CMS provider-based status in accordance with 42 CFR 413.65.

**School-Based Health Center (SBHC)** — a center located in a school setting which: (1) provides health services to MassHealth Members under the age of 21; (2) operates under a Hospital's license; (3) is subject to the fiscal, administrative, and clinical management of a Hospital Outpatient Department or HLHC; and (4) provides services to Members solely on an outpatient basis.

**SPAD Base Year** — the hospital-specific base year for the Standard Payment Amount per Discharge is FY11 using the FY11 -403 cost report as screened and updated as of May 23, 2013.

**Standard Payment Amount Per Discharge (SPAD)** — a Hospital-specific all-inclusive payment for the first twenty cumulative acute days of an inpatient hospitalization, which is the complete fee-for-service payment for an acute episode of illness, excluding the additional payment of Outlier Days, Transfer Per Diems, Administrative Days and Physician Payments.

**Third-Party Insurance** — any insurance, including Medicare, that is or may be liable to pay all or part of the Member's medical claims. Third-Party Insurance includes a MassHealth Member's own insurance.

**Title XIX** — Title XIX of the Social Security Act, 42 U.S.C. § 1396 et seq., or any successor statute enacted into federal law for the same purposes as Title XIX.

**Total EAPG Payment** — an adjusted calculation of total payment for PAPE Covered Services provided to MassHealth Members in the PAPE Base Year using the EAPG grouper, and calculating the Episode Cost using the FY12 outpatient cost-to-charge ratio.

**Transfer Patient** — any inpatient who meets any of the following criteria: (1) is transferred between Acute Hospitals; (2) is transferred between a DMH-Licensed Bed and a medical/surgical unit in an Acute Hospital; (3) is receiving treatment for a substance-related disorder or mental health-related services and whose enrollment status with the BH Contractor changes; (4) who becomes eligible for MassHealth after the date of admission and prior to the date of discharge; (5) is a Member who exhausts other insurance benefits after the date of admission and prior to the date of discharge; (6) who transfers, after the date of admission, from the PCC Plan or non-managed care to an MCO, or from an MCO to the PCC Plan or non-managed care; or (7) has a primary diagnosis of a psychiatric disorder in a non-DMH-Licensed Bed.

**Usual and Customary Charge** — a routine fee that Hospitals charge for Acute Inpatient and Outpatient Services, regardless of payer source.

## Section 3: Eligible Applicants

- A.** In-state Acute Hospitals are eligible to apply for a Contract pursuant to this RFA if they:
- 1.** Operate under a Hospital license issued by the Massachusetts Department of Public Health (DPH);
  - 2.** Are Medicare-certified and participate in the Medicare program;
  - 3.** Have more than 50% of their beds licensed as medical/surgical, intensive care, coronary care, burn, pediatric (Level I or Level II), pediatric intensive care (Level III), maternal (Obstetrics), or neonatal intensive care beds (Level III), as determined by DPH; and
  - 4.** Currently utilize more than 50% of their beds exclusively as either medical/surgical, intensive care, coronary care, burn, pediatric (Level I or Level II), pediatric intensive care (Level III), maternal (Obstetrics), or neonatal intensive care beds (Level III), as determined by EOHHS.

In determining whether a Hospital satisfies the utilization requirement set forth in **Section 3.A.4**, EOHHS may evaluate, pursuant to an on-site audit or otherwise, a number of factors including, but not limited to, the average length of patient stay (see **Section 11.B.5**) at that Hospital.

- B.** The Hospital shall apply on behalf of all Inpatient Departments, Outpatient Departments, Emergency Departments and Satellite Clinics.
- C.** The Hospital is not permitted to apply on behalf of, or claim payment for services provided by, any other related clinics, Provider groups, or other entities, except as otherwise provided in **Sections 5.B.10** and **5.C**.

## **Section 4: Non-Covered Services, Program Initiatives and Ambulatory Services Not Covered by the RFA**

### **A. Non-Covered Services**

EOHHS will reimburse MassHealth-participating Hospitals at the rates established in this RFA and accompanying Contract for all covered Inpatient, Outpatient, and Emergency Services provided to MassHealth Members *except* for the following:

#### **1. Behavioral Health Services for Members Enrolled with the BH Contractor**

EOHHS' BH Contractor contracts with providers to form a network through which behavioral health services are delivered to MassHealth Members enrolled with the BH Contractor. Hospitals in the BH Contractor's network qualify for fee-for-service payments solely by the BH Contractor for services to Members enrolled with the BH Contractor, pursuant to contracts between the BH Contractor and each contracting Hospital.

Hospitals that are not in the BH Contractor's network (hereinafter "non-network Hospitals") do not qualify for MassHealth reimbursement for Members enrolled with the BH Contractor who receive non-Emergency or Post-Stabilization Behavioral Health Services, except in accordance with a service-specific agreement with the BH Contractor.

Non-network Hospitals that provide medically necessary behavioral health Emergency and Post-Stabilization Services to Members enrolled with the BH Contractor qualify for fee-for-service reimbursement solely by the BH Contractor. Such reimbursement is available only if the Hospital complies with the BH Contractor's billing requirements and any applicable service authorization requirements that are permissible under federal law at 42 USC 1396u-2(b)(2), 42 CFR 438.114, and 42 CFR 422.113(c). In accordance with the preceding federal law, and with 42 CFR 422.214(b), if a Member enrolled with the BH Contractor receives inpatient or outpatient behavioral health Emergency and Post-Stabilization Services and the BH Contractor offers to pay the non-network Hospital a rate equal to that Hospital's applicable fee-for-service RFA rate less any amount for graduate medical education, the non-network Hospital must accept the BH Contractor's rate offer as payment in full for such behavioral health Emergency and Post-Stabilization Services. Nothing in this paragraph prohibits the BH Contractor from negotiating to pay any non-network Hospital at rates lower than the non-network Hospital's applicable fee-for-service RFA rate less any amount for graduate medical education for Behavioral Health Emergency and Post-Stabilization Services.

Hospitals are not entitled to any fee-for-service reimbursement from EOHHS, and may not claim such reimbursement for any services that are BH Contractor-covered services or are otherwise reimbursable by the BH Contractor. Any such fee-for-service payment by EOHHS shall constitute an overpayment as defined in 130 CMR 450.235. Under such circumstances, EOHHS may also exercise its authority under 130 CMR 450.238 et seq. to impose sanctions for improper billing.

## **2. MCO Services**

Hospitals that provide medically necessary MCO-covered services, including Emergency and Post-Stabilization Services, qualify for fee-for-service reimbursement solely by the MCO.

In accordance with 42 USC 1396u-2(b)(2), 42 CFR 438.114, 42 CFR 422.113(c), and 42 CFR 422.214(b), if an MCO offers to pay a non-network Hospital a rate equal to the Hospital's applicable fee-for-service RFA rate less any amount for graduate medical education for all Emergency and Post-Stabilization Services for all of the MCO's MassHealth enrollees, that non-network Hospital must accept the MCO's rate offer as payment in full. This requirement does not prohibit an MCO from negotiating to pay any non-network Hospital at rates lower than the non-network Hospital's applicable fee-for-service RFA rate less any amount for graduate medical education for Emergency and Post-Stabilization Services.

Hospitals are not entitled to any fee-for-service reimbursement from EOHHS, and may not claim such reimbursement for any services that are MCO-covered services or are otherwise reimbursable by the MCO. Any such fee-for-service payment by EOHHS shall constitute an overpayment as defined in 130 CMR 450.235. Under such circumstances, EOHHS may also exercise its authority under 130 CMR 450.238 et seq. to impose sanctions for improper billing.

## **3. Commonwealth Care MCO Services**

Hospitals that provide medically necessary MCO-covered services, including Emergency and Post-Stabilization Services, qualify for fee-for-service reimbursement solely by the MCO.

If an MCO under contract with the Connector offers to pay a non-network Hospital a rate equal to the Hospital's applicable fee-for-service RFA rate less any amount for graduate medical education for all Emergency and Post-Stabilization Services for all of the MCO's Commonwealth Care enrollees, that non-network Hospital is required to accept the MCO's rate offer as payment in full. This requirement does not prohibit an MCO from negotiating to pay any non-network Hospital at rates lower than the non-network Hospital's applicable fee-for-service RFA rate less any amount for graduate medical education for Emergency and Post-Stabilization Services.

Hospitals are not entitled to any reimbursement from EOHHS, and may not claim such reimbursement for any services provided to Commonwealth Care enrollees. Any payment by EOHHS for such services shall constitute an overpayment as defined in 130 CMR 450.235. Under such circumstances, EOHHS may also exercise its authority under 130 CMR 450.238 et seq. to impose sanctions for improper billing.

## **4. Medical Security Plan Direct Coverage Health Plan Services**

Hospitals that provide medically necessary Health Plan-covered services, including Emergency and Post-Stabilization Services, qualify for fee-for-service reimbursement solely by the Health Plan.

If a Health Plan under contract with the Connector or the Department of Unemployment Assistance offers to pay a non-network Hospital a rate equal to the Hospital's applicable fee-for-service RFA rate less any amount for graduate medical education for all Emergency and Post-Stabilization Services for all of the Health Plan's Medical Security Plan Direct Coverage enrollees, that non-network Hospital is required to accept the Health Plan's rate offer as payment in full. This requirement does not prohibit a Health Plan from negotiating to pay any non-network Hospital at rates lower than the non-network Hospital's applicable fee-for-service RFA rate less any amount for graduate medical education for Emergency and Post-Stabilization Services.

Hospitals are not entitled to any reimbursement from EOHHS, and may not claim such reimbursement for any services provided to Medical Security Plan Direct Coverage enrollees. Any payment by EOHHS for such services shall constitute an overpayment as defined in 130 CMR 450.235. Under such circumstances, EOHHS may also exercise its authority under 130 CMR 450.238 et seq. to impose sanctions for improper billing.

For purposes of this **Section 4.A.4**, the following terms have the following meanings:

**Health Plan** – any entity that enters into a contract with the Connector or the Department of Unemployment Assistance for the provision of health insurance plans or the arrangement of health care services under the MSP Direct Coverage Health Insurance Program, as defined in M.G.L. c. 151A and 430 CMR 7.07(1)(b).

**Medical Security Plan Direct Coverage Enrollee** – an individual, and any of the individual's qualified dependents as defined in 430 CMR 7.00, determined by the Department of Unemployment Assistance to be eligible for participation in the MSP Direct Coverage Program, as defined in M.G.L. c. 151A and 430 CMR 7.07(1)(b), and enrolled by the Department of Unemployment Assistance or its designee in a health insurance plan offered by a Health Plan.

## **5. One Care Plan Services**

Hospitals that provide medically necessary One Care plan-covered services, including Emergency and Post-Stabilization Services, qualify for fee-for-service reimbursement solely by the One Care plan.

If a One Care plan offers to pay a non-network Hospital a rate equal to the amount allowed under original Medicare less any amount for graduate medical education for all Emergency and Post-Stabilization Services for all of the One Care plan's enrollees, that non-network Hospital must accept the One Care plan's rate offer as payment in full. This requirement does not prohibit a One Care plan from negotiating to pay any non-network Hospital at rates lower than original Medicare less any amount for graduate medical education for Emergency and Post-Stabilization Services.

Hospitals are not entitled to any fee-for-service reimbursement from EOHHS, and may not claim such reimbursement for any services that are One Care plan-covered services or are

otherwise reimbursable by the One Care plan. Any such fee-for-service payment by EOHHS shall constitute an overpayment as defined in 130 CMR 450.235. Under such circumstances, EOHHS may also exercise its authority under 130 CMR 450.238 et seq. to impose sanctions for improper billing.

**6. Air Ambulance Services**

In order to receive reimbursement for air ambulance services, Hospitals must have a separate contract with EOHHS for such services.

**7. Non-Acute Units and Other Separately Licensed Units in Acute Hospitals**

Unless otherwise specified in this RFA, EOHHS shall not reimburse Acute Hospitals through this RFA and the accompanying contract for services provided to Members in Non-Acute Units, other than Rehabilitation Units, and any units which have a separate license, such as a skilled nursing unit, or any unit which is licensed to provide services other than Acute Hospital services as described in **Section 3.A.4**.

**8. Claims for Outpatient Professional Services (Primary Care Payment Reform (PCPR))**

For any Hospital Outpatient Department, HLHC, or other Satellite Clinic site participating in the Primary Care Payment Reform (PCPR) initiative, outpatient Hospital-Based Physician services are governed by the site's executed MassHealth PCC Plan Provider contract, and are not payable through this Acute Hospital RFA and Contract.

**B. Program Initiatives**

**1. Hospital Services Reimbursed through Other Contracts or Regulations**

The Commonwealth may institute special program initiatives, other than those in this RFA, which provide, through contract or regulation, alternative reimbursement methodologies for Hospital services or certain Hospital services. In such cases, payment for such services is made pursuant to the contract or regulations governing the special program initiative, and not through this RFA and resulting Contract.

**2. Demonstration Projects**

It is an EOHHS priority to ensure that MassHealth Members receive quality medical care at sites of service that promote delivery of such medical care in a cost-effective and efficient manner. In furtherance of this objective, and subject to state and federal approval requirements, if any, EOHHS may, through separate contracts or through this RFA, institute demonstration projects with Hospitals to develop innovative approaches to delivery of services and payment for services. Such demonstration projects will be designed to focus on ensuring that Hospitals provide or facilitate the provision of quality services to MassHealth Members in

a manner that is efficient and cost-effective and that may include alternative reimbursement methodologies for Hospital services or certain Hospital services.

### **3. MassHealth Drug List**

To help ensure consistency in medication regimens and services, prescribers should conform to the MassHealth Drug List (see [www.mass.gov/druglist](http://www.mass.gov/druglist)) whenever medically appropriate for inpatients, outpatients, and upon discharge.

## **C. Ambulatory Services Not Covered by the RFA**

The following services provided by Hospitals to MassHealth Members on an outpatient basis are not paid pursuant to the Acute Hospital RFA and Contract: ambulance services, psychiatric day treatment, early intervention, home health, adult day health and adult foster care, and outpatient covered drugs processed through the Pharmacy On-Line Processing System (POPS). Hospitals must continue to conform to the separate provider participation and reimbursement requirements for those MassHealth programs.

## Section 5: Reimbursement System

### A. General Provisions

Acute Hospitals that participate in the MassHealth program under the terms of the Hospital Contract and its accompanying payment methodology shall accept payment at the rates established in this RFA as payment in full for services reimbursable by EOHHS that are rendered to MassHealth Members admitted as inpatients or treated as outpatients on or after October 1, 2013.

Non-acute units, other than Rehabilitation Units, and units within Hospitals that operate under separate licenses, such as skilled nursing units, will not be affected by this methodology.

For Inpatient Services paid on a per diem basis, MassHealth pays the lesser of (i) the per diem rate or (ii) 100% of the Hospital's actual charge submitted.

Pursuant to M.G.L. c. 118E, §9 (as amended by c. 211 of the Acts of 2006), which describes pre-admission counseling for long-term care, Hospitals will undertake the following activities in connection with instructions that may be issued from time to time by EOHHS: (i) inform patients of the availability of EOHHS-approved counseling services; (ii) identify patients who might benefit from counseling; (iii) distribute informational materials to patients; and (iv) participate in training events organized by EOHHS.

A Hospital with a DMH-licensed inpatient psychiatric unit must accept into its DMH-licensed inpatient psychiatric unit all referrals of MassHealth members that meet the established admission criteria of the inpatient unit.

### B. Payment for Inpatient Services

#### 1. Overview

Except as otherwise provided in **Sections 5.B.7** through **5.B.13**, fee-for-service payments for Inpatient Services provided to MassHealth Members not enrolled in an MCO will be a Hospital-specific Standard Payment Amount per Discharge (SPAD) which will consist of the sum of (1) a statewide average payment amount per discharge that is adjusted for wage area differences and the Hospital-specific MassHealth casemix; (2) a per-discharge, Hospital-specific payment amount for Hospital-specific expenses for malpractice and organ acquisition costs; and (3) a per-discharge payment amount for the capital cost allowance, adjusted by a Hospital-specific casemix and by a capital inflation factor, as that sum may be adjusted pursuant to **Section 8.1**. Each of the elements making up the sum is described in **Sections 5.B.2** through **5.B.4**.

For Hospitals with Pediatric Specialty Units, payment for admissions to the Pediatric Specialty Unit for which a SPAD is otherwise payable will be made using the Pediatric SPAD. The Pediatric SPAD is calculated using the same methodology as the SPAD, except that the casemix index, discharges, and average length of stay are based on data from the Pediatric Specialty

Unit. In such cases, the Hospital's SPAD is calculated by excluding data from the Pediatric Specialty Unit for these components. Acute Hospitals with Pediatric Specialty Units will be identified in the qualifying Hospital's **Appendix C**.

For Critical Access Hospitals, payment is in accordance with **Section 5.D.7**.

For the two Hospitals first enrolled in November 2012 with unique circumstances, payment for Inpatient Services is described in **Section 5.D.8**.

Payment for psychiatric services provided in DMH-Licensed Beds to MassHealth Members who are not served either through a contract between EOHHS and its BH Contractor or an MCO shall be made through an all-inclusive Psychiatric Per Diem (see **Section 5.B.7**).

Payment for psychiatric services provided in beds that are not DMH-Licensed Beds shall be made at the Transfer Per Diem rate, capped at the Hospital's SPAD (see **Sections 5.B.7** and **5.B.8**).

Payment for physician services rendered by Hospital-Based Physicians will be made as described in **Section 5.B.10**.

## **2. Calculation of the Standard Payment Amount Per Discharge (SPAD)**

In the development of each Hospital's RY14 standard payment amount per discharge (SPAD), EOHHS used the SPAD Base Year costs from the FY11 -403 cost report as screened and updated by CHIA as of May 23, 2013, and FY11 HDD as the primary sources of data to develop base operating costs per discharge.

The statewide average payment amount per discharge is based on the actual statewide costs of providing Inpatient Services as reflected in the SPAD Base Year cost report. The average payment amount per discharge for each Hospital was derived by dividing total inpatient Hospital costs by total inpatient Hospital discharges, omitting those costs and discharges from Excluded Units. Routine outpatient costs associated with admissions from the Emergency Department and routine and ancillary outpatient costs resulting from admissions from observation status were included. The cost centers which are identified as the supervision component of physician compensation and other direct physician costs were included; professional services were excluded. All other medical and non-medical patient care-related staff expenses were included.

Malpractice costs, organ acquisition costs, capital costs, and direct medical education costs were excluded from the calculation of the statewide average payment amount per discharge.

The average payment amount per discharge for each Hospital was then adjusted by the Hospital's Massachusetts-specific wage area index and by the Hospital-specific FY11 all-payer Casemix Index that was determined by using FY11 discharges and using APR-DRG version 26 of the 3M grouper and Massachusetts weights. Massachusetts Hospitals' wages and

hours were determined based on CMS's FY\_2014\_Proposed\_Rule\_Wage\_Index\_PUFs file, downloaded May 10, 2013, from the CMS web site at [www.cms.hhs.gov](http://www.cms.hhs.gov).

Wage areas were assigned according to the same CMS file unless redesignated in a written decision from CMS to the Hospital provided to EOHHS by May 31, 2013. Each area's average hourly wage was then divided by the statewide average hourly wage to determine the area's wage index. For the calculation of the Springfield area index, Baystate Medical Center's wages and hours were included. This step results in the calculation of the standardized costs per discharge for each Hospital.

All Hospitals were then ranked from lowest to highest with respect to their standardized costs per discharge; a cumulative frequency of MassHealth discharges where MassHealth is the primary payer for the Hospitals was produced from the casemix data described below. The efficiency standard was established at the cost per discharge corresponding to the position on the cumulative frequency of discharges that represents 65% of the total number of statewide discharges in the MMIS. The RY14 efficiency standard is \$ 10,359.89.

The statewide average payment amount per discharge was then determined by multiplying (a) the weighted mean of the standardized cost per discharge, as limited by the efficiency standard; by (b) the outlier adjustment factor of 93%; and by (c) the Inflation Factors for Operating Costs between RY11 and RY14. The resulting RY14 statewide average payment amount per discharge is \$ 8,940.32.

The statewide average payment amount per discharge was then multiplied by the Hospital's MassHealth Casemix Index (using APR-DRG version 26 of the 3M Grouper and Massachusetts weights) and adjusted to the Hospital's Massachusetts-specific wage area index to derive the Hospital-specific standard payment amount per discharge (SPAD).

To develop the Hospital's RY14 Casemix Index, EOHHS used MassHealth SPAD, transfer, and outlier claims for MassHealth discharges residing in MMIS as of May 11, 2013, for the period October 1, 2011 through September 30, 2012, with a status of adjudicated and paid and for which MassHealth is the primary payer. The casemix data did not include discharges from Excluded Units. Calculations of the wage area indexes were derived from the CMS data file.

Costs for outpatient ancillary services for Members admitted from observation status are included in Hospital-specific SPADs.

An outlier adjustment is used for the payment of covered Outlier Days as described in **Section 5.B.9**.

When groupers are changed and modernized, it may be necessary to adjust the base payment rate so that overall payment levels are not affected solely by the grouper change. This aspect of "budget neutrality" is an approach that EOHHS is following, and one that has been a feature of the Medicare Diagnosis-Related Group (DRG) program since its inception. EOHHS reserves the right to update to a new grouper.

### **3. Calculation of the Pass-Through Amounts per Discharge**

The inpatient portion of malpractice insurance and organ acquisition costs was derived from each Hospital's FY12 -403 cost report as screened and updated by CHIA as of June 11, 2013. This portion of the Pass-Through amount per discharge is the sum of the Hospital's per-discharge costs of malpractice and organ acquisition costs. In each case, the amount is calculated by dividing the Hospital's inpatient portion of expenses by the number of total, all-payer days for the SPAD Base Year and then multiplying the cost per diem by the Hospital-specific MassHealth Average Length of Stay. The costs and days associated with Excluded Units are omitted.

### **4. Capital Payment Amount per Discharge**

The capital payment per discharge is a standard, prospective payment. The capital payment is a casemix-adjusted capital cost limit, based on the SPAD Base Year costs updated by the Inflation Factors for Capital Costs between RY11 and RY14.

For each Hospital, the total inpatient capital costs include building and fixed equipment depreciation, major moveable equipment depreciation, major moveable equipment, and long- and short-term interest. Total capital costs are allocated to Inpatient Services through the square-footage-based allocation formula of the FY11 -403 cost report. Capital costs for Excluded Units were omitted to derive net inpatient capital costs. The capital cost per discharge was calculated by dividing total net inpatient capital costs by FY11 total inpatient hospital discharges net of Excluded Unit discharges.

The casemix-adjusted capital cost standard was determined by (a) dividing the cost per discharge by the All-Payer APR-DRG version 26 Casemix Index; (b) sorting these adjusted costs in ascending order; and (c) producing a cumulative frequency of discharges. The casemix-adjusted efficiency standard was established at the capital cost per discharge corresponding to the position on the cumulative frequency of discharges that represents 50% of the total number of discharges.

Each Hospital's capital cost per discharge was then held to the lower of its capital cost per discharge or the casemix-adjusted efficiency standard, to arrive at a capped capital cost per discharge. Each Hospital's capped capital cost per discharge is then multiplied by the Hospital's FY12 number of MassHealth discharges. The product of the capped capital cost per discharge and the number of MassHealth discharges for each Hospital was then summed and divided by the total number of MassHealth discharges statewide, to arrive at a statewide weighted average capital cost per discharge.

The statewide weighted average capital cost per discharge was then updated by the Inflation Factors for Capital Costs between RY11 and RY14. The statewide weighted average capital cost per discharge for RY14 is \$581.76.

The Hospital-specific capital payment per discharge was determined by multiplying the statewide weighted average capital cost per discharge by the Hospital's RY14 Casemix Index as determined in **Section 5.B.2** above.

**5. [Reserved]**

**6. Maternity and Newborn Rates**

Maternity cases in which delivery occurs will be paid on a SPAD basis with one SPAD paid for the mother and one SPAD paid for each newborn. Payment for *all* services (except physician services) provided in connection with such a maternity stay is included in the SPAD amount.

**7. Payments for Psychiatric Services**

Services provided to MassHealth Members in DMH-Licensed Beds who are not enrolled with the BH Contractor or an MCO shall be paid through an all-inclusive psychiatric per diem, as described below. This payment mechanism does not apply to cases in which psychiatric services are provided to Members enrolled with the BH Contractor or an MCO, except as set forth in **Sections 4.A.1** and **4.A.2**.

**a. Statewide Standard Psychiatric Per Diem**

The Statewide Standard Psychiatric Per Diem Rate is derived using the sum of the following: the Acute Hospital Psychiatric Standard for Overhead Costs, the Acute Hospital Psychiatric Standard for Direct Routine Costs, the Acute Hospital Psychiatric Standard for Direct Ancillary Costs, the Acute Hospital Psychiatric Standard for Capital Costs, plus the Adjustment to Base Year Costs.

**b. Data Sources**

The Psychiatric Per Diem Base Year is FY04. MassHealth utilizes the costs, statistics, and revenue reported in the FY04 -403 cost reports, as screened and updated as of March 10, 2006.

**c. Determination of Base Year Operating Standards**

- (1) The Standard for Inpatient Psychiatric Overhead Costs is the median of the Inpatient Psychiatric Overhead Costs Per Day for the array of acute hospitals providing mental health services in DMH-licensed beds. The median is determined based upon inpatient psychiatric days.
- (2) The Standard for Inpatient Psychiatric Direct Routine Costs is the median of the Inpatient Psychiatric Direct Routine Costs Per Day (minus direct routine physician

costs) for the array of acute hospitals providing mental health services in DMH-licensed beds. The median is determined based upon inpatient psychiatric days.

- (3) The Standard for Inpatient Psychiatric Direct Ancillary Costs is the median of the Inpatient Psychiatric Direct Ancillary Costs Per Day for the array of acute hospitals providing mental health services in DMH-licensed beds. The median is determined based upon inpatient psychiatric days.

**d. Determination of Base Year Capital Standard**

- (1) Each hospital's base year capital costs consist of the hospital's actual Base Year patient care capital requirement for historical depreciation for building and fixed equipment, reasonable interest expenses, amortization, leases, and rental of facilities. Any gains from the sale of property will be offset against the hospital's capital expenses.
- (2) Each hospital's base year Psychiatric Capital Cost Per Day equals the base year psychiatric capital cost divided by the greater of: the actual base year psychiatric days or eighty-five percent (85%) of the base year maximum licensed psychiatric bed capacity, measured in days.
- (3) The Standard for Inpatient Psychiatric Capital Costs is the median of the Inpatient Psychiatric Capital Costs Per Day for the array of acute hospitals providing mental health services in DMH-licensed beds. The median is determined based upon inpatient psychiatric days.

- e. Adjustment to Base Year Costs:** The Standards for Inpatient Psychiatric Overhead Costs, Direct Routine Costs, and Direct Ancillary Costs were updated by the Inflation Factors for Operating Costs between the Psychiatric Per Diem Base Year and RY07. The Standard for Inpatient Psychiatric Capital Costs was updated by the Inflation Factors for Capital Costs between the Psychiatric Per Diem Base Year and RY07.

The Inflation Factors for Operating Costs between RY08 and RY10 and between RY12 and RY14 were applied to the rate calculated above to determine the RY14 Statewide Standard Psychiatric Per Diem rate.

Payment for psychiatric services provided in beds that are not DMH-Licensed Beds shall be made at the Transfer per diem rate, capped at the Hospital's SPAD. See **Sections 5.B.8.b(4)** and **5.B.8.b(5)** for payment rules involving transfers to and from DMH-Licensed Beds and BH managed care status.

## **8. Transfer Per Diem Payments**

### **a. Transfer Between Hospitals**

In general, payments for patients transferred from one Acute Hospital to another will be made on a transfer per diem basis, capped at the Hospital-specific SPAD for the Hospital that is transferring the patient.

In general, the Hospital that is receiving the patient will be paid on a per-discharge basis in accordance with the standard RY14 SPAD methodology specified in **Sections 5.B.2** through **5.B.4**, if the patient is actually discharged from that Hospital. This includes when a patient is transferred back and is subsequently discharged from the original Hospital. If the patient is transferred to another Hospital, then the transferring Hospital will be paid at the Hospital-specific transfer per diem rate, capped at the Hospital-specific SPAD, as adjusted in **Section 8.1**. Additionally, “back-transferring” Hospitals (Hospitals to which a patient is first admitted and then transferred back after having been transferred to another Acute Hospital) will be eligible for outlier payments as specified in **Section 5.B.9**.

The RY14 payment per day for Transfer Patients shall equal the statewide average payment amount per discharge adjusted by the hospital-specific casemix and wage index divided by the SPAD Base Year average all-payer length of stay of 4.31 days, to which is added the Hospital-specific capital and Pass-Through per diem payments which are derived by dividing the per-discharge amount for each of these components by the Hospital-specific MassHealth Average Length of Stay.

### **b. Transfers within a Hospital**

In general, a transfer within a Hospital is not considered a discharge. Consequently, in most cases a transfer between units within a Hospital will be reimbursed on a transfer per diem basis capped at the Hospital-specific SPAD, as adjusted in **Section 8.1**. This section outlines reimbursement under some specific transfer circumstances.

Hospitals receiving a transfer per diem may be eligible for outlier payments specified in **Section 5.B.9**, subject to all of the conditions set forth therein.

#### **(1) Transfer to/from a Non-Acute, Skilled Nursing, or other Separately Licensed Unit within the Same Hospital**

If a patient is transferred from an acute bed to a Non-Acute bed, except for a DMH-licensed bed or any separately licensed unit in the same Hospital, the transfer is considered a discharge. EOHHS will pay the Hospital-specific SPAD for the portion of the stay before the patient is discharged to any such unit.

**(2) MassHealth Payments for Newly Eligible Members, Members Who Change Enrollment in the PCC Plan, Fee-for-Service or MCO during a Hospital Stay; or in the Event of Exhaustion of Other Insurance**

When a patient becomes MassHealth-eligible, is enrolled in or disenrolled from an MCO during the course of a Hospital stay, or exhausts other insurance benefits after the date of admission and prior to the date of discharge, the MassHealth-covered portion of the acute stay will be paid at the transfer per diem rate, up to the Hospital-specific SPAD as adjusted in **Section 8.1**, or, if the patient is at the Administrative Day level of care, at the AD per diem rate, in accordance with **Section 5.B.11**.

When a patient is enrolled in or disenrolled from an MCO during the Hospital stay, the non-MCO days will be paid at the transfer per diem rate up to the SPAD, as adjusted in **Section 8.1**.

**(3) Admissions Following Outpatient Surgery or Procedure**

If a patient who requires Inpatient Hospital Services is admitted following an outpatient surgery or procedure, the Hospital shall be paid at the transfer per diem rate up to the Hospital-specific SPAD, as adjusted in **Section 8.1**.

**(4) Transfer between a DMH-Licensed Bed and Any Other Bed within the Same Hospital**

Reimbursement for a transfer between a DMH-Licensed Bed and any other bed within a Hospital will vary depending on the circumstances involved, such as managed care status, BH network or non-network Hospital, or the type of service provided. See also **Section 5.B.8.b(5)**.

When a Member who is not enrolled with the BH Contractor transfers between a DMH-Licensed Bed and a non-DMH-Licensed Bed in the same Hospital during a single admission, EOHHS will pay the Hospital at the transfer per diem capped at the Hospital-specific SPAD as adjusted in **Section 8.1** for the non-DMH-Licensed Bed portion of the stay, and at the psychiatric per diem for the DMH-Licensed Bed portion of the stay (see **Section 5.B.7**).

If the Member is enrolled with the BH Contractor, EOHHS will pay for the non-DMH-Licensed Bed portion of the stay, and only if it is for medical (i.e., non-psychiatric/substance-related disorder) treatment. In that case, such payment will be at the transfer per diem rate capped at the Hospital-specific SPAD, as adjusted in **Section 8.1**.

**(5) Change of BH Managed Care Status during a Behavioral Health Hospitalization**

**(a) Payments to Hospitals without Network Provider Agreements with EOHHS' BH Contractor**

When a Member is enrolled with the BH Contractor during an Emergency or Post-Stabilization behavioral health admission at a non-network Hospital, the portion of the Hospital stay during which the Member is enrolled with the BH Contractor shall be paid by the BH Contractor provided that the Hospital complies with the BH Contractor's billing requirements and any applicable service authorization requirements that are permissible under federal law at 42 USC 1396u-2(b)(2), 42 CFR 438.114, and 42 CFR 422.113(c).

In accordance with the preceding federal law, and with 42 CFR 422.214(b), if the BH Contractor offers to pay the Hospital a rate equal to the applicable RFA rate less any amount for graduate medical education for Emergency and Post-Stabilization psychiatric or substance-related disorder services, the Hospital must accept the BH Contractor's rate offer as payment in full for all such Members.

This requirement does not prohibit the BH Contractor from negotiating to pay at a lower rate than the non-network Hospital's applicable RFA rate less any amount for graduate medical education for all such Emergency and Post-Stabilization psychiatric or substance abuse-related disorder services provided at a non-network hospital.

The portion of the Hospital stay during which the Member was not enrolled with the BH Contractor will be paid by EOHHS at the psychiatric per diem rate for psychiatric services in a DMH-Licensed Bed or at the transfer per diem rate, capped at the Hospital-specific SPAD, as adjusted in **Section 8.1**, for substance-related disorder services and for psychiatric services in a non-DMH-Licensed Bed.

**(b) Payments to Hospitals that are in the BH Contractor's Provider Network**

When a Member is enrolled with the BH Contractor during an emergency or non-emergency behavioral health Hospital admission, the portion of the Hospital stay during which the Member was enrolled with the BH Contractor shall be paid by the BH Contractor at the rates agreed upon by the Hospital and the BH Contractor provided that the Hospital complies with the BH Contractor's service authorization and billing policies and procedures.

The portion of the Hospital stay during which the Member was not enrolled with the BH Contractor will be paid by EOHHS at the Psychiatric Per Diem

rate for psychiatric services in a DMH-Licensed Bed; or at the transfer per diem rate, capped at the Hospital-specific SPAD, as adjusted in **Section 8.1**, for substance-related disorder services and for psychiatric services in a non-DMH-Licensed Bed.

## 9. Outlier Payments

A Hospital qualifies for an outlier per diem payment equal to 75% of the Hospital's transfer per diem in addition to the Hospital-specific standard payment amount per discharge or transfer per diem payment if *all* of the following conditions are met:

- a. The Medicaid non-managed care length of stay for the hospitalization exceeds 20 cumulative *acute* days at that Hospital (not including days in a DMH-Licensed Bed or days paid by a third party);
- b. The Hospital continues to fulfill its discharge planning duties as required in MassHealth regulations;
- c. The patient continues to need acute level care and is therefore *not* on Administrative Day status on any day for which an outlier payment is claimed;
- d. The patient is not a patient in a DMH-Licensed Bed on any day for which an outlier payment is claimed;
- e. The patient is not a patient in an Excluded Unit within an Acute Hospital; and
- f. The patient is under 21 years of age.

## 10. Physician Payment

For physician services provided by Hospital-Based Physicians to MassHealth patients, the Hospital will be reimbursed for the professional component of physician services in accordance with, and subject to, the Physician regulations at 130 CMR 433.000 et seq. Such reimbursement shall be at the lower of (1) the fee established in 101 CMR 317.00 (Medicine), 114.3 CMR 16.00 (Surgery and Anesthesia), 114.3 CMR 18.00 (Radiology) and 114.3 CMR 20.00 (Clinical Laboratory Services), or successor regulations as applicable (including the applicable facility fee for all services where such facility fee has been established); (2) the Hospital's Usual and Customary Charge; or (3) 100% of the Hospital's actual charge submitted.

Hospitals will be reimbursed for such physician services only if the Hospital-Based Physician took an active patient care role, as opposed to a supervisory role, in providing the Inpatient Service(s) on the billed date(s) of service. Physician services provided by residents and interns are not reimbursable separately. The Hospital-Based Physician may not bill for any professional component of the service that is billed by the hospital.

Hospitals shall not be reimbursed for inpatient physician services provided by community-based physicians.

Physician fee schedules are available at the State House Bookstore and at <http://www.mass.gov/eohhs/gov/laws-regs/hhs/community-health-care-providers-ambulatory-care.html>.

## **11. Payments for Administrative Days**

Payments for Administrative Days will be made on a per diem basis as described below. These per diem rates are all-inclusive and represent payment in full for all Administrative Days in all Acute Care Hospitals.

The AD rate is a base per diem payment and an ancillary add-on.

The base per diem payment is \$199.89, which represents the median nursing facility rate that was effective March 1, 2013 for all nursing home rate categories, as determined by EOHHS.

The ancillary add-on is based on the ratio of ancillary charges to routine charges, calculated separately for Medicaid/Medicare Part B-eligible patients and Medicaid-only eligible patients on AD status, using MassHealth paid claims for the period October 1, 1997 to September 30, 1998. These ratios are 0.278 and 0.382, respectively.

The resulting AD rates (base and ancillary) were then updated by the Inflation Factor for Administrative Days. The resulting AD rates for RY14 are \$258.90 for Medicaid/Medicare Part B-eligible patients and \$279.97 for Medicaid-only eligible patients.

MassHealth rules and regulations do not allow a patient to be admitted at an AD status, except in limited circumstances outlined in EOHHS regulations. In most cases, therefore, Administrative Days will follow an acute stay in the Hospital.

A Hospital may receive outlier payments under **Section 5.B.9** for patients who return to acute status from AD status after 20 cumulative MassHealth non-managed care acute days in a single hospitalization. That is, if a patient returns to acute status after being on AD status, the Hospital must add the acute days preceding the AD status to the acute days following the AD status to determine the day on which the Hospital is eligible for outlier payments. The Hospital may not bill for more than one SPAD if the patient fluctuates between acute status and AD status; the Hospital may only bill for one SPAD (covering 20 cumulative MassHealth non-managed care acute days), and then for Outlier Days, as described above.

## **12. Rehabilitation Unit Services in Acute Hospitals**

A DPH-licensed Acute Hospital with a Rehabilitation Unit may bill a per diem rate for Rehabilitation Services provided at an Acute Hospital.

The per diem rate for such Rehabilitation Services equals the median MassHealth RY14 Rehabilitation Hospital rate for Chronic Disease and Rehabilitation (CDR) Hospitals. Acute Hospital Administrative Day rates will be paid in accordance with **Section 5.B.11** for all days that a patient remains in the Rehabilitation Unit while not at Hospital level of care. Such units shall be subject to EOHHS' screening program for chronic and rehabilitation hospitals as detailed in 130 CMR 435.408 and requirements detailed in 130 CMR 435.410 – 411.

### **13. Infant and Pediatric Outlier Payment Adjustments**

#### **a. Infant Outlier Payment Adjustment**

In accordance with 42 U.S.C. § 1396a(s), EOHHS will make an annual infant outlier payment adjustment to Acute Hospitals for Inpatient Services furnished to infants under one year of age involving exceptionally high costs or exceptionally long lengths of stay.

The Infant Outlier Payment is calculated using the data and methodology as follows:

- (1) Data Source:** The prior year's claims data residing on EOHHS' MMIS is used to determine exceptionally high costs and exceptionally long lengths of stay.
- (2) Eligibility:** Eligibility for the adjustment is determined as follows:
  - (a) Exceptionally Long Lengths of Stay:** First, the statewide weighted average Medicaid inpatient length of stay is determined by dividing the sum of Medicaid days for all Acute Hospitals in the state by the sum of Medicaid discharges for all Acute Hospitals in the state. The statewide weighted standard deviation for Medicaid inpatient length of stay is also calculated. The statewide weighted standard deviation for the Medicaid inpatient length of stay is multiplied by two, and added to the statewide weighted average Medicaid inpatient length of stay. The sum of these two numbers is the threshold figure for Medicaid exceptionally long length of stay.
  - (b) Exceptionally High Cost:** Exceptionally high cost is calculated for Hospitals providing services to infants less than one year of age as follows:
    1. The average cost per Medicaid inpatient discharge for each Hospital is calculated;
    2. The standard deviation for the cost per Medicaid inpatient discharge for each Hospital is calculated;
    3. The Hospital's standard deviation for the cost per Medicaid inpatient discharge is multiplied by two, and that amount is added to the Hospital's average cost per Medicaid inpatient discharge. The sum of these two numbers is each Hospital's threshold Medicaid exceptionally high cost.
  - (c) Eligibility for an Infant Outlier Payment:** First, for each Hospital providing services to infants less than one year of age, the average Medicaid inpatient length of stay involving individuals less than one year of age is determined. If this Hospital-specific average Medicaid inpatient length of stay for infants less

than one year of age equals or exceeds the threshold defined in **Section 5.B.13.a(2)(a)**, then the Hospital is eligible for an infant outlier payment.

Second, the cost per inpatient Medicaid case involving infants less than one year of age is calculated. If a Hospital has a Medicaid inpatient case with a cost that equals or exceeds the Hospital's own threshold defined in **Section 5.B.13.a(2)(b)** above, then the Hospital is eligible for an infant outlier payment.

- (d) **Payment to Hospitals:** Annually, each Hospital that qualifies for an infant outlier adjustment receives an equal portion of \$50,000. For example, if two Hospitals qualify for an outlier adjustment, then each Hospital receives \$25,000.

## **b. Pediatric Outlier Payment Adjustment**

In accordance with 42 U.S.C. §1396a(s), EOHHS will make an annual pediatric outlier payment adjustment to Acute Hospitals for Inpatient Services furnished to children more than one year of age and less than six years of age involving exceptionally high costs or exceptionally long lengths of stay.

The Pediatric Outlier Payment is calculated using the data and methodology as follows:

- (1) **Data Source:** The prior year's discharge data residing on EOHHS' MMIS is used to determine exceptionally high costs and exceptionally long lengths of stay.
- (2) **Eligibility:** Eligibility for the adjustment is determined as follows:
  - (a) **Exceptionally Long Lengths of Stay:** First, a statewide weighted average Medicaid inpatient length of stay is calculated. This is determined by dividing the sum of Medicaid days for all Acute Hospitals in the state by the sum of Medicaid discharges for all Acute Hospitals in the state. Second, the statewide weighted standard deviation for Medicaid inpatient length of stay is calculated. Third, the statewide weighted standard deviation for Medicaid inpatient length of stay is multiplied by two and added to the statewide weighted average Medicaid inpatient length of stay. The sum of these two numbers is the threshold Medicaid exceptionally long length of stay.
  - (b) **Exceptionally High Cost:** Exceptionally high cost is calculated for Hospitals providing services to children greater than one year of age and less than six years of age as follows:
    1. The average cost per Medicaid inpatient discharge for each Hospital is calculated.
    2. The standard deviation for the cost per Medicaid inpatient discharge for each Hospital is calculated.
    3. The Hospital's standard deviation for the cost per Medicaid inpatient discharge is multiplied by two and added to the hospital's average cost per Medicaid inpatient discharge. The sum of these two numbers is each Hospital's threshold Medicaid exceptionally high cost.

(c) **Eligibility for a Pediatric Outlier Payment:** For Acute Hospitals providing services to children greater than one year of age and less than six years of age, eligibility for a pediatric outlier payment is calculated as follows:

1. The average Medicaid inpatient length of stay involving children greater than one year of age and less than six years of age. If this Hospital-specific average Medicaid inpatient length of stay equals or exceeds the threshold defined in **Section 5.B.13.b(2)(a)**, then the hospital is eligible for a Pediatric Outlier Payment.
2. The cost per inpatient Medicaid case involving children greater than one year of age and less than six years of age. If this Hospital-specific Medicaid inpatient cost equals or exceeds the threshold defined in **Section 5.B.13.b(2)(b)**, then the Hospital is eligible for a Pediatric Outlier Payment.
3. Payment to Hospitals: Annually, each Acute Hospital qualifying for a pediatric outlier adjustment will receive \$1,000.

## C. Outpatient Hospital Services

*Note: Rates for all Outpatient Hospital Services (including Emergency Department services) that are covered under a contract between the Acute Hospital and EOHHS' BH Contractor and that are provided to MassHealth Members enrolled with EOHHS' BH Contractor, shall be governed by terms agreed upon between the Acute Hospital and the BH Contractor as set forth in **Section 4.A.1** of this RFA.*

A Hospital will be reimbursed in accordance with **Section 5.C** for Outpatient Services provided by Hospital Outpatient Departments and Satellite Clinics.

Except as otherwise provided for Outpatient Services specified in **Sections 5.C.3** through **5.C.8**, Hospitals will receive a Hospital-specific payment for each Episode, known as the Payment Amount Per Episode (PAPE).

Hospitals will not be reimbursed for Hospital services specified as non-payable in Subchapter 6 of the MassHealth Acute Outpatient Hospital Manual, unless such services are medically necessary services provided to a MassHealth Standard or CommonHealth Member under 21 years. Providers should refer to the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) regulations at 130 CMR 450.140 et seq., regarding provision of EPSDT services to MassHealth Standard or CommonHealth Members under 21 years.

For Critical Access Hospitals, payment is in accordance with **Section 5.D.7**.

For the two Hospitals first enrolled in November 2012 with unique circumstances, payment for Outpatient Services is described in **Section 5.D.8**.

### 1. Payment Amount Per Episode (PAPE)

**a. PAPE Rate Development**

Each Hospital's RY14 PAPE is a blended rate that equally weights the Hospital's RY13 PAPE and the preliminary RY14 PAPE determined as calculated in this **Section 5.C.1.a**, provided, however, that no Hospital's RY14 PAPE shall be less than 90% of the Hospital's RY13 PAPE in effect on September 30, 2013.

The preliminary RY14 PAPE is the product of the Hospital-Specific Outpatient Casemix Index and the Outpatient Statewide Standard. These components are further described in subsections (1) and (2) of this **Section 5.C.1.a**, below. Components of the calculation that were based on data from all Hospitals did not include data from the two Hospitals first enrolled in November 2012 with unique circumstances.

- (1) **Hospital-Specific Outpatient Casemix Index:** The hospital-specific outpatient casemix index for the current Rate Year is an average of the monthly Average EAPG Weights per Episode for the PAPE Base Year for each hospital.

The monthly Average EAPG Weight per Episode for each month is the hospital's PAPE payments divided by the number of Episodes, then divided by the applicable conversion factor. PAPE payments are based on claims for MassHealth Episodes residing in MMIS as of April 30, 2013, for the PAPE Base Year, with a status of adjudicated and paid and for which MassHealth is the primary payer.

The applicable conversion factor is: October 1, 2011 through September 30, 2012 — \$136.12.

The sum of the monthly Average EAPG Weights Per Episode for the PAPE Base Year divided by 12 is the Hospital-Specific Outpatient Casemix Index for the current Rate Year.

- (2) **Outpatient Statewide Standard** — the PAPE Base Year Outpatient Statewide Standard is adjusted so that the total payment for PAPE Covered Services provided in the PAPE Base Year equals the Total EAPG Payment in the PAPE Base Year. The result of this calculation is a PAPE Base Year Outpatient Statewide Standard of \$127.28.

The PAPE Base Year Outpatient Statewide Standard is then adjusted to account for volume and casemix changes between the PAPE Base Year and the current Rate Year. This adjusted amount is then multiplied by the Inflation Factors for Operating Costs between RY13 and RY14. The resulting RY14 Outpatient Statewide Standard is \$162.93.

**b. Payment System**

MassHealth processes and pays clean outpatient claims in accordance with 130 CMR 450 et seq.

**2. Emergency Department Services**

**a. Required Screening**

All Members presenting in the Emergency Department or dedicated emergency department as defined in 42 CFR 489.24 must be screened and stabilized in accordance with applicable requirements at 42 U.S.C. 1395dd et seq., M.G.L. c. 118E, section 17A, and all applicable regulations.

**b. Payment for Emergency Services**

Hospitals will be reimbursed for Emergency Services provided in the Emergency Department in the same manner as other Outpatient Services.

**3. Outpatient Hospital Services Payment Limitations and PCC Plan Notification Requirements**

**a. Payment Limitations on Outpatient Hospital Services Preceding an Admission**

Hospitals will not be separately reimbursed for Outpatient Hospital Services when an Inpatient Admission to the same Hospital, on the same date of service, occurs following the provision of Outpatient Hospital Services. See **Section 5.B.8.b(3)**.

**b. Payment Limitations on Outpatient Hospital Services to Inpatients**

Hospitals will not be reimbursed for Outpatient Services provided to any Member who is concurrently an inpatient of any Hospital. The Hospital is responsible for payment to any other Provider of services delivered to a Member while an inpatient of that Hospital.

**c. Notification Requirements**

For all PCC Plan Members, Hospitals must notify the Member's PCC within 48 hours after providing Emergency Department services. The Hospital must also notify the Member's PCC within 48 hours of the Member's discharge from an Inpatient Admission. EOHHS reserves the right to specify the form and format for such notification. Said notice shall include, at a minimum, the Hospital discharge instructions that are provided to the patient, which includes the Member's diagnosis, treatment, and discharge instructions.

#### 4. Physician Payments

- a. A Hospital may only receive reimbursement for physician services provided by Hospital-Based Physicians to MassHealth Members. The Hospital must claim payment for the professional component of physician services in accordance with, and subject to: (1) the Physician regulations at 130 CMR 433.000 et seq.; (2) the Acute Outpatient Hospital regulations at 130 CMR 410.000 et seq.; and (3) other rules regarding physician payment as set forth in this RFA.
- b. Such reimbursement shall be the lower of (1) the fee established in 101 CMR 317.00 (Medicine), 114.3 CMR 16.00 (Surgery and Anesthesia), 114.3 CMR 18.00 (Radiology) and 114.3 CMR 20.00 (Clinical Laboratory Services), or successor regulations as applicable (including the applicable facility fee for all services where such facility fee has been established); (2) the Hospital's Usual and Customary Charge for physician fees; or (3) the Hospital's actual charge submitted. Hospitals will not be reimbursed separately for professional fees for practitioners other than Hospital-Based Physicians as defined in **Section 2**.
- c. Hospitals will be reimbursed for physician services only if the Hospital-Based Physician took an active patient care role, as opposed to a supervisory role, in providing the Outpatient Service(s) on the billed date(s) of service. The Hospital-Based Physician may not bill for any professional component of the service that is billed by the Hospital.
- d. Physician Services provided by residents and interns are not separately reimbursable.
- e. Hospitals will not be reimbursed for physician services if those services are (1) provided by a Community-Based Physician; or (2) as further described in **Section 5.C**.
- f. In order to qualify for reimbursement for physician services provided during the provision of Observation Services, the reasons for the Observation Services, the start and stop time of the Observation Services, and the name of the physician ordering the Observation Services, must be documented in the Member's medical record.

Physician fee schedules are available at the State House Bookstore and at <http://www.mass.gov/eohhs/gov/laws-regs/hhs/community-health-care-providers-ambulatory-care.html>.

#### 5. Laboratory Services

##### a. Payment for Laboratory Services

Hospitals will be reimbursed for laboratory services according to the Outpatient Hospital regulations at 130 CMR 410.455 through 410.459, subject to all restrictions and limitations described in regulations at 130 CMR 401.000.

The maximum allowable payment for a laboratory service shall be at the lowest of the following:

- (1) The amount listed in the most current applicable Clinical Laboratory Services fee schedule at 114.3 CMR 20.00 and the Surgery & Anesthesia fee schedule at 114.3 CMR 16.00, or successor regulations as applicable (available at the State House Bookstore and at <http://www.mass.gov/eohhs/gov/laws-regs/hhs/community-health-care-providers-ambulatory-care.html>).
- (2) The Hospital's Usual and Customary Charge; or
- (3) The amount that would be recognized under 42 U.S.C. §13951(h) for tests performed for a person with Medicare Part B benefits.

**b. Physician Services**

No additional payment shall be made for any physician service provided in connection with a laboratory service, except for Surgical Pathology Services. The maximum allowable payment is payment in full for the laboratory service.

**6. Audiology Dispensing**

**a. Payment for Audiology Dispensing Services**

Hospitals will be reimbursed for the dispensing of hearing aids only by a Hospital-based audiologist according to the Audiologist regulations at 130 CMR 426.00 et seq., and according to the fees established in 101 CMR 323.00 (Hearing Aid Dispensers).

**b. Physician Payment**

Hospitals may not bill for Hospital-Based Physician services related to the provision of audiology dispensing services.

**7. Vision Care Dispensing**

**a. Payment for Vision Care Services**

Hospitals will be reimbursed for the dispensing of ophthalmic materials only by a Hospital-Based optometrist, ophthalmologist or other practitioner licensed and authorized to write prescriptions for ophthalmic materials and services according to the Vision Care regulations at 130 CMR 402.000 et seq., and according to the fees established in 101 CMR 315.00 (Vision Care Services and Ophthalmic Materials).

**b. Physician Payment**

Hospitals may not bill for Hospital-Based Physician services related to the provision of vision care services.

**8. Dental Services**

**a. Payment for Dental Services**

Hospitals will be reimbursed for covered dental services according to the Dental regulations at 130 CMR 420.000 et seq. according to the fees established in 114.3 CMR 14.00 et seq., or successor regulations, except when the conditions in 130 CMR 420.430(A)(2) or (D) apply. When these conditions apply, EOHHS will reimburse the Hospital according to **Section 5.C.1**. The Hospital-based Dentist may not bill for any professional component of the service that is billed by the hospital.

**b. Physician Payment**

Hospitals may not bill for Hospital-Based Physician (which, as defined in **Section 2**, includes dentists) services related to the provision of dental services, except when the conditions in 130 CMR 420.430(A)(2) or (D) apply. Under those circumstances, in addition to the PAPE payment under **Section 5.C.1**, when a Hospital-Based Physician provides physician services, the Hospital may be reimbursed for such physician services in accordance with **Section 5.C.4**. The Hospital-Physician may not bill for any professional component of the service that is billed by the hospital.

**D. Reimbursement for Unique Circumstances**

**1. Disproportionate Share Hospital Supplemental Payment**

**a. Qualification**

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, state plan and waiver provisions, payment limits, and full federal financial participation, EOHHS will make a supplemental payment to Hospitals that received more than 63% of their Gross Patient Service Revenue in FY 2012 from government payers and free care as determined by the Hospital's FY 2012 -403 cost report.

**b. Payment Methodology**

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, state plan and waiver provisions, payment limits, and full federal financial participation, EOHHS will make supplemental payments to each qualifying Disproportionate Share Hospital equal to the sum of 10 percent of its total

FY13 SPAD payments and 5 percent of its total FY13 PAPE payments based on Medicaid paid claims data on file as of March 31, 2014.

## **2. Essential MassHealth Hospitals**

### **a. Qualification**

In order to qualify for payment as an Essential MassHealth Hospital, a Hospital must itself meet, or be within a system of hospitals, any one of which meets at least four of the following criteria, as determined by EOHHS, provided that all hospitals within such system are owned or controlled, directly or indirectly, by a single entity that (i) was created by state legislation prior to 1999; and (ii) is mandated to pursue or further a public mission:

- (1) The Hospital is a non-state-owned public Acute Hospital.
- (2) The Hospital meets the current MassHealth definition of a non-profit teaching hospital affiliated with a Commonwealth-owned medical school.
- (3) The Hospital has at least 7% of its total patient days as Medicaid days.
- (4) The Hospital is an acute-care general Hospital located in Massachusetts that provides medical, surgical, Emergency and obstetrical services.
- (5) The Hospital enters into a separate contract with EOHHS relating to payment as an Essential MassHealth Hospital.

### **b. Reimbursement Methodology**

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, state plan and waiver provisions, payment limits, and full federal financial participation, EOHHS will make a supplemental payment to Essential MassHealth Hospitals. The payment amount will be (i) determined by EOHHS using data filed by each qualifying Hospital in financial reports as required by EOHHS, and (ii) specified in an agreement between EOHHS and the qualifying Hospital.

EOHHS reserves the right to make payments to Essential MassHealth Hospitals in such amounts and pursuant to such methods and using such funding sources as may be approved by CMS.

Acute Hospitals that receive payment as Essential MassHealth Hospitals shall be determined by EOHHS.

### **3. Acute Hospitals with High Medicaid Discharges**

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, state plan and waiver provisions, payment limits, and full federal financial participation, EOHHS will make a supplemental payment to Acute Hospitals with High Medicaid Discharges when compared with other participating MassHealth Hospitals. To be eligible for a payment pursuant to this section, a Hospital must have more than 2.7% of the statewide share of Medicaid discharges, as determined by dividing each Hospital's total Medicaid discharges as reported on the Hospital's -403 cost report by the total statewide Medicaid discharges for all Hospitals.

The payment amount for inpatient services is the lower of (1) the variance between the Hospital's inpatient Medicaid payments and charges, or (2) the Hospital's Health Safety Net Trust Fund-funded payment amount.

The payment amount for outpatient services is the lower of (1) the variance between the Hospital's outpatient Medicaid payments and costs, or (2) the Hospital's Health Safety Net Trust Fund-funded payment amount.

EOHHS reserves the right to make payments to Acute Hospitals with High Medicaid Discharges in such amounts and pursuant to such methods and using such funding sources as may be approved by CMS.

Acute Hospitals that receive payment as Acute Hospitals with High Medicaid Discharges shall be determined by EOHHS.

### **4. Supplemental Payment for High Medicaid Volume Freestanding Pediatric Acute Hospitals**

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, waiver provisions, and payment limits, and full federal financial participation, EOHHS will make a supplemental payment equal to \$3.85 million to High Medicaid Volume Freestanding Pediatric Acute Hospitals, to account for high Medicaid volume. Such payment amount is determined by EOHHS based on data filed by each qualifying Hospital in its financial and cost reports, and projected Medicaid volume for the Hospital Rate Year.

EOHHS reserves the right to make payments to High Medicaid Volume Freestanding Pediatric Hospitals in such amounts and pursuant to such methods and using such funding sources as may be approved by CMS.

Acute Hospitals that receive payment as High Medicaid Volume Freestanding Pediatric Acute Hospitals shall be determined by EOHHS.

## **5. Freestanding Pediatric Acute Hospital High Complexity Supplemental Payment**

### **a. Qualification**

In order to qualify for the Freestanding Pediatric Acute Hospital High Complexity Supplemental Payment, a Hospital must limit its admissions primarily to children and qualify as exempt from the Medicare prospective payment system.

### **b. Payment Methodology**

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, state plan and waiver provisions, payment limits, and full federal financial participation, EOHHS will make a supplemental payment to Freestanding Pediatric Acute Hospitals, to account for the complex pediatric cases they provide care for.

The supplemental payment amount for each qualifying hospital will be determined by apportioning a total of \$11.8 million to qualifying hospitals on a pro-rata basis according to each qualifying hospital's number of inpatient discharges in Rate Year 2013, based on Medicaid paid claims data on file as of March 31, 2014.

## **6. Pediatric Specialty Unit High Complexity Supplemental Payment**

### **a. Qualification**

In order to qualify for the Pediatric Specialty Unit Payment High Complexity Supplemental Payment, a Hospital must have a Pediatric Specialty Unit as defined in **Section 2** and receive a Pediatric Standard Payment Amount Per Discharge, as set forth in the qualifying Hospital's **Appendix C**.

### **b. Payment Methodology**

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, state plan and waiver provisions, payment limits, and full federal financial participation, EOHHS will make a supplemental payment to Hospitals with Pediatric Specialty Units, to account for the complex pediatric cases they provide care for.

The supplemental payment amount for each qualifying hospital will be determined by apportioning a total of \$3 million to qualifying hospitals on a pro-rata basis according to each qualifying hospital's number of inpatient discharges in Rate Year 2013, based on Medicaid paid claims data on file as of March 31, 2014.

## **7. Critical Access Hospitals**

The payment methods set forth in this **Section 5.D.7** apply to Critical Access Hospitals. EOHHS will pay Critical Access Hospitals an amount equal to 101 percent of the Hospital's allowable costs, as determined by EOHHS utilizing the Medicare cost-based reimbursement

methodology, for both inpatient and outpatient services, as more fully described below. Interim payments will be made to Critical Access Hospitals based on the rates and methods set forth herein, which payments are provisional in nature and subject to the completion of a cost review and settlement for the time period October 1, 2013 through September 30, 2014, as described in **Section 5.D.7.c**. Subject to this **Section 5.D.7**, all sections of this RY14 RFA otherwise apply to Critical Access Hospitals. If the Hospital loses its designation as a Critical Access Hospital during this period, the payments for inpatient and outpatient services shall revert to the standard inpatient and outpatient rate methodologies set forth in **Sections 5.B** and **5.C**, as determined by EOHHS, and payments may be adjusted accordingly. In no event shall the reversion to any such rate methodologies affect the payment rates to other participating acute hospitals for the applicable rate year.

**a. Payment for Inpatient Services**

For Inpatient Admissions occurring in RY14, Critical Access Hospitals (CAHs) will be paid for Inpatient Services in accordance with **Section 5.B** with the following changes.

Critical Access Hospitals (CAH) will be paid a hospital-specific Standard Payment Amount per Discharge (SPAD) for those Inpatient Services for which all other in-state acute hospitals are paid a SPAD. Notwithstanding **Sections 5.B.2** through **5.B.4**, for Inpatient Admissions occurring in RY14, the hospital-specific RY14 SPAD for each Critical Access Hospital was calculated as follows:

- (1) EOHHS calculated a cost-to-charge ratio for inpatient services (Inpatient CCR) for each Critical Access Hospital, which was determined by dividing the amount reported on Schedule II, line 100, column 10 (PAT EXP-INC CAP SUBTOT IP) of the hospital's FY12 -403 cost report by the amount reported on Schedule II, line 100, column 11 (GPSR SUBTOT IP) of such report.
- (2) EOHHS then calculated 101% of the Critical Access Hospital's Medicaid (MassHealth) inpatient costs by multiplying the hospital's Inpatient CCR by the amount reported on Schedule VA, line 57, column 6 (MCD NON-MGD TOT IP GPSR) of the hospital's FY12 -403 cost report, and then subsequently increasing that amount by an additional 1%.
- (3) EOHHS then derived the Critical Access Hospital's Medicaid cost per discharge by dividing the amount that equals 101% of the hospital's Medicaid (MassHealth) inpatient costs as determined above by the hospital's Medicaid (MassHealth) discharges. The hospital's Medicaid (MassHealth) discharges were derived from Schedule VA, line 25, column 6 of the hospital's FY12 -403 cost report.
- (4) The Inflation Factor for Operating Costs between RY12 and RY13 and between RY13 and RY14 was then applied to the Critical Access Hospital's Medicaid cost per discharge as determined in **Section 5.D.7.a(3)**, above, to derive the Critical Access Hospital's RY14 SPAD.

- (5) Critical Access Hospitals will not be subject to any SPAD adjustment under **Section 8.1**.

The transfer per diem rate of payment for each Critical Access Hospital for purposes of **Section 5.B.8** applicable to Inpatient Admissions occurring in RY14 was computed by dividing the Critical Access Hospital's RY14 SPAD, as calculated above, by the SPAD Base Year average all-payer length of stay of 4.31 days as calculated by EOHHS.

The outlier per diem rate of payment for each Critical Access Hospital for purposes of **Section 5.B.9** applicable to Inpatient Admissions occurring in RY14 was calculated by multiplying the Critical Access Hospital's transfer per diem rate as derived above by 0.75.

**b. Payment for Outpatient Services**

For dates of service in RY14, Critical Access Hospitals (CAHs) will be paid for Outpatient Services in accordance with **Section 5.C** with the following changes.

Critical Access Hospitals will be paid a hospital-specific Payment Amount Per Episode (PAPE) for those Outpatient Services for which all other in-state acute hospitals are paid a PAPE. Notwithstanding **Section 5.C.1.a**, the hospital-specific RY14 PAPE for each Critical Access Hospital was calculated as follows:

- (1) EOHHS calculated a cost to charge ratio for outpatient services (Outpatient CCR) for each Critical Access Hospital, which was determined by dividing the amount reported on Schedule II, line 114, column 10 (PAT EXP-INC CAP SUBTOT OP) of the hospital's FY12 -403 cost report by the amount reported on Schedule II, line 114, column 11 (GPSR SUBTOT OP) of such report, after setting to zero all direct expenses reported on Schedule IX, Line 51 (LAB), and all gross patient service revenues reported on Schedule VI, Column 12 (LABORATORY).
- (2) EOHHS then calculated 101% of the Critical Access Hospital's Medicaid (MassHealth) outpatient costs by multiplying the Outpatient CCR by the amount reported on Schedule VA, line 70, column 6 (MCD NON-MGD TOT OP GPSR) of the hospital's FY12 -403 cost report, and then subsequently increasing that amount by an additional 1%.
- (3) EOHHS then divided the amount that equals 101% of the hospital's Medicaid (MassHealth) outpatient costs as determined above, by the hospital's Medicaid (MassHealth) PAPE Base Year Episodes. The hospital's Medicaid (MassHealth) PAPE Episodes were derived from PAPE Base Year data.
- (4) The Inflation Factor for Operating Costs between RY12 and RY13 and between RY13 and RY14 was then applied to the calculation above, to derive the Critical Access Hospital's RY14 PAPE for dates of service in RY14.

- (5) The Critical Access Hospital's RY14 PAPE will not be blended with the Critical Access Hospital's RY13 PAPE, or subject to the 90% floor, but will be the result of the calculations set forth above.

**c. Post-RY14 Cost Review and Settlement**

Each Critical Access Hospital must timely complete all Medicaid (Title XIX) data worksheets on CMS-2552 cost reports in accordance with the CMS Provider Reimbursement Manual - Part 2 (CMS publication 15-2) ("CMS-2552 cost reports"), and any additional instructions provided by MassHealth, and submit copies of such completed reports to EOHHS no later than February 28, 2015, or such date as otherwise determined necessary by EOHHS. Critical Access Hospitals shall also complete and provide to EOHHS upon request all such other information, and in such format, as EOHHS determines necessary to perform the review described below.

EOHHS will perform a post-RY14 review to determine whether the Critical Access Hospital received aggregate interim payments in an amount equal to 101% of allowable costs utilizing the Medicare cost-based reimbursement methodology for both inpatient and outpatient services for RY14, as such amount is determined by EOHHS ("101% of allowable costs"). EOHHS will utilize the Critical Access Hospital's CMS-2552 cost reports and such other information that EOHHS determines is necessary, to perform this post RY14 review. "Aggregate interim payments" for this purpose shall include all hospital payments under the RY14 RFA, as determined by EOHHS, including, without limitation, pay for performance (P4P) payment amounts under the RY14 RFA, but excluding payments under **Section 5.D.1**.

If EOHHS determines that the Critical Access Hospital was paid less than 101% of allowable costs, EOHHS will pay the Critical Access Hospital the difference between the amount that EOHHS determines is 101% of allowable costs and the aggregate interim payments. If EOHHS determines that the Critical Access Hospital was paid more than 101% of allowable costs, the Critical Access Hospital shall pay to EOHHS, or EOHHS may recoup or offset against future payments, the amount that equals the difference between the aggregate interim payments and the amount that EOHHS determines is 101% of allowable costs.

This post RY14 review and settlement will take place within approximately twelve (12) months after the close of RY14, subject to the availability of data, or, if later, at such other time as EOHHS determines the necessary documentation is available.

**8. Two Hospitals First Enrolled in November 2012 with Unique Circumstances**

This **Section 5.D.8** applies to the two in-state Hospitals first enrolled in November 2012 with unique circumstances for which EOHHS has determined it does not have sufficient prior payment history or cost reporting data available to calculate certain rates and payments using methodologies set forth elsewhere in this RFA14 (the New Hospitals).

Subject to **Sections 5.D.8.a** through **5.D.8.c**, below, all sections of this RY14 RFA otherwise apply to the New Hospitals.

**a. Payment for Inpatient Services**

The New Hospitals will be paid for Inpatient Services in accordance with **Section 5.B** with the following changes.

The New Hospitals will be paid a hospital-specific Standard Payment Amount per Discharge (SPAD) for those Inpatient Services for which all other in-state acute hospitals are paid a SPAD.

The RY14 SPAD for each New Hospital was calculated using the methodology set forth in **Sections 5.B.2** through **5.B.4**, subject to the following:

- (1) Components of the calculation that were based on data from all Hospitals did not include New Hospital data.
- (2) To develop the New Hospital's RY14 Casemix Index, EOHHS utilized the New Hospital's self-reported FY11 inpatient discharge data (using APR-DRG version 26 of the 3M Grouper and Massachusetts weights), as supplied to EOHHS by the New Hospital on April 13, 2012.
- (3) The New Hospital's hospital-specific capital payment per discharge was determined by multiplying the statewide weighted average capital cost per discharge by the New Hospital's RY14 Casemix Index, as described in **Section 5.D.8.a(2)**, above.
- (4) To the extent that data was unavailable or otherwise not sufficient to calculate any component of or adjustment to the hospital-specific SPAD for the New Hospital, the adjustment or other component of the calculation was omitted from the hospital-specific SPAD calculation for the New Hospital. Due to unavailability of data, the SPAD adjustment under **Section 8.1** was omitted from the calculation.

The transfer per diem rate of payment for each New Hospital for purposes of **Section 5.B.8** was computed by dividing the New Hospital's RY14 SPAD as calculated above, by the SPAD Base Year average all-payer length of stay of 4.31 days as calculated by EOHHS.

The outlier per diem rate of payment for each New Hospital for purposes of **Section 5.B.9**, was calculated by multiplying the New Hospital's transfer per diem rate as derived above by 0.75.

**b. Payment for Outpatient Services**

The New Hospitals will be paid for Outpatient Services in accordance with **Section 5.C** with the following changes.

The New Hospitals will be paid a hospital-specific Payment Amount Per Episode (PAPE) for those Outpatient Services for which all other in-state acute hospitals are paid a PAPE. Notwithstanding **Section 5.C.1**, the hospital-specific RY14 PAPE for each New Hospital shall be an amount equal to the median outpatient RY14 PAPE, as calculated by EOHHS, for all other in-state acute hospitals participating in MassHealth. The median outpatient RY14 PAPE was determined using the RY14 PAPEs that were calculated for all other in-state acute hospitals under **Section 5.C.1.a**.

**c. Other**

The New Hospitals will not be subject to **Section 8.1** for RY14.

For any other rate adjustment or payment that is provided for under this RFA14 not otherwise addressed in this **Section 5.D.8**, if EOHHS does not have on record the required data under the RY14 RFA as it pertains to the New Hospital, the rate adjustment or payment shall not be applicable to the New Hospital for RY14.

**9. Supplemental Payment for Hospitals with High Volume Neonatal and Pediatric Intensive Care Unit Services**

**a. Qualification**

In order to qualify for a Supplemental Payment for Hospitals with High Volume Neonatal and Pediatric Intensive Care Unit (ICU) Services, a Hospital must have at least 108 beds licensed as pediatric, pediatric ICU, or Neonatal ICU beds, of which at least 55 must be licensed as Neonatal ICU beds.

**b. Payment Methodology**

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, state plan and waiver provisions, payment limits, and full federal financial participation, EOHHS will make a supplemental payment of not more than \$200,000 to qualifying Hospitals to support their provision of inpatient neonatal and pediatric ICU services.

**E. Safety Net Care Acute Hospital Payments**

In accordance with the terms and conditions of the Commonwealth's 1115 waiver governing the Safety Net Care Pool (SNCP), and subject to compliance with all applicable federal requirements, the Commonwealth will make an additional payment above the amounts specified in **Sections 5.B, 5.C, and 5.D** to Hospitals which qualify for such payment under any one or more of the payment classifications listed below for the period of RY14 ending June 30, 2014. SNCP payments are authorized by the Centers for Medicare and Medicaid Services (CMS) on a state fiscal year basis for each applicable waiver year.

Only Hospitals that have an executed Contract with EOHHS, pursuant to this RFA, are eligible for SNCP payments.

All SNCP payments are subject to federal approval and the availability of federal financial participation.

## **1. Public Service Hospital Safety Net Care Payment**

Subject to legislative appropriation or authorization, compliance with all applicable federal statutes, regulations, waiver provisions, payment limits, and full federal financial participation, EOHHS will make a Public Service Hospital Safety Net Care payment to qualifying Hospitals.

In order to qualify for a Public Service Hospital Safety Net Care Payment, a hospital must:

- a.** be a public or public-service hospital as defined in **Section 2**;
- b.** have a volume of Medicaid and free care charges in Fiscal Year 1993, or for any new hospital, in the base year as determined by EOHHS, that is at least 15% of its total charges; and
- c.** be an essential safety-net provider in its service area, as demonstrated by delivery of services to populations with special needs including persons with AIDS, trauma victims, high-risk neonates, and indigent patients without access to other providers.

The payment amount will be (i) determined by EOHHS using data filed by each qualifying Hospital in financial reports required by EOHHS, and (ii) specified in an agreement between EOHHS and the qualifying Hospital.

EOHHS reserves the right to make SNCP payments to Public Service Hospitals in such amounts and pursuant to such methods and using such funding sources as may be approved by CMS.

Acute Hospitals that receive SNCP as Public Service Hospitals shall be determined by EOHHS.

## **2. Health Safety Net Trust Fund Safety Net Care Payment**

The eligibility criteria and payment method for this payment classification are specified in regulations at 114.6 CMR 14.00, or successor regulations, and the Special Terms and Conditions of the Commonwealth's 1115 waiver governing Safety Net Care. Eligible Hospitals will receive these payments on a periodic basis during the term of their RY14 Hospital Contract.

## **F. Federal Financial Participation (FFP)**

### **1. FFP Denials**

If any portion of the RFA payment methodology or any amount paid pursuant to this RFA is not approved or is the basis of a disallowance by CMS, such payments made to the Hospital by EOHHS in excess of the federally approved methodology or amounts will be deemed an overpayment and EOHHS may recoup, or offset such overpayments against future payments.

### **2. Exceeding Limits**

#### **a. Hospital-Specific Limits**

If any payments made pursuant to this RFA exceed any applicable federal Hospital-specific payment limits, including, but not limited to, charge limits, upper payment limits, and limits based on federally approved payment methods, such amounts will be deemed an overpayment and EOHHS may recoup, or offset against future payments, any such overpayments.

#### **b. Aggregate Limits**

If any payments made pursuant to this RFA exceed applicable federal aggregate payment limits, including, but not limited to, upper payment limits provided for in federal law, regulations, and the Commonwealth's 1115 waiver, EOHHS may exercise its discretion to apportion disallowed amounts among the affected Hospitals and to recoup from, or offset against future payments to such Hospitals, or to otherwise restructure payments in accordance with approved payment methods.

## **G. Billing**

The Contractor shall bill for all non-professional services through an 837I or on the UB04 form and all professional component services for Hospital-Based Physician (Inpatient and Outpatient) Services through an 837P or on the CMS 1500 form, except where otherwise indicated by MassHealth regulations, billing instructions, Provider bulletins, or other written statements of policy, and in compliance with all applicable regulations, billing instructions, Provider bulletins, and other written statements of policy, as they may be amended from time to time.

## **H. Treatment of Reimbursement for Members in the Hospital on the Effective Date of the Hospital Contract**

Except where payments are made on a per diem basis, EOHHS shall reimburse participating Hospitals for services provided to MassHealth Members who are at acute inpatient status prior to October 1, 2013, and who remain at acute inpatient status on or after October 1, 2013, at the Hospital's MassHealth rates established prior to this RY14 RFA. Reimbursement to participating Hospitals for

services provided to MassHealth Members who are admitted on or after October 1, 2013, shall be reimbursed at the RY14 Hospital rates.

## **I. Future Rate Years**

Adjustments may be made each Rate Year to update rates and shall be made in accordance with the Hospital Contract in effect on that date.

## **J. Compliance with Legal Requirements**

The parties agree to comply with, and are subject to, all state and federal statutes, rules, and regulations governing the MassHealth Program, and reimbursement and delivery of Acute Hospital services, including but not limited to Acute Inpatient Hospital regulations at 130 CMR 415.00 et seq., Outpatient Hospital regulations at 130 CMR 410.000 et seq., and Administrative and Billing regulations at 130 CMR 450.00 et seq.; provided, however, that in the event of any conflict between the documents that are part of the Hospital's Contract with EOHHS and any MassHealth regulation now existing or hereinafter adopted, the terms of the Contract shall prevail. All references to statutes and regulations refer to such statutes and regulations as they may be amended from time to time. In addition, the parties must comply with all applicable billing instructions and Provider bulletins, and other written statements of policy issued by EOHHS and its divisions, as they may be amended from time to time.

## **K. Eligibility Verification**

EOHHS will pay the Hospital only for a covered service delivered to a Member who, on the date of service, is (1) eligible under MassHealth to receive that service, and (2) not enrolled with a MassHealth managed care provider (including EOHHS' Behavioral Health contractor) that covers the service. Each day of an inpatient Hospital stay constitutes a discrete "date of service." A Member who meets the foregoing conditions on a given date of service may not meet such conditions on all dates of service comprising a Hospital stay. The Hospital is responsible for determining, through the MassHealth Eligibility Verification System (EVS), that the Member meets the conditions stated herein on each discrete date of service.

## **L. Errors in Calculation of Pass-Through Amounts, Capital Costs, Casemix, or Potentially Preventable Readmissions**

As set forth below, EOHHS will make corrections to the final Hospital-specific rate retroactive to the effective date of the Contract resulting from this RFA. Such corrections will not affect computation of any statewide average, or statewide standard amounts or of any of the efficiency standards applied to inpatient and outpatient costs, or to capital costs, and shall not affect the SPAD or PAPE of any other Hospital.

A Hospital must meet the particular conditions of the applicable subsection set forth below in order to request a correction to an error. Hospitals are not allowed to combine the effect of an error under

one subsection to the effect of an error under another subsection in order to meet a required threshold.

## 1. Errors in Calculation of Pass-Through or Capital Costs

- a. If a transcription error occurred or if the incorrect line was transcribed in the calculation of the RY14 Pass-Through Costs or capital costs, resulting in an amount not consistent with the methodology, a Hospital may request a correction, which shall be at the sole discretion of EOHHS.
- b. To qualify for a correction, Hospitals must submit, no later than January 31, 2014, copies of the relevant report(s), as referenced in **Sections 5.B.3** and **5.B.4**, highlighting items found to be in error, to Kiki Feldmar at the following address:

Kiki Feldmar  
Executive Office of Health and Human Services  
MassHealth Office of Providers and Plans  
100 Hancock Street, 6<sup>th</sup> Floor  
Quincy, MA 02171  
[kiki.feldmar@state.ma.us](mailto:kiki.feldmar@state.ma.us)

## 2. Incorrect Determination of Casemix

- a. Casemix shall be calculated on claims for inpatient discharges as described in **Section 5.B** and for outpatient Episodes as described in **Section 5.C**. In the event of an error in the calculations of casemix made by EOHHS, for Inpatient or Outpatient Services, resulting in an amount not consistent with the methodology and where the effect of the error is a decrease in the Hospital's SPAD or PAPE of 2% or more, a Hospital may request a correction to its RY14 casemix, which shall be at the sole discretion of EOHHS.
- b. In the event of a Hospital reporting error where the effect of the error is a decrease in the Hospital's SPAD of 30% or more, EOHHS may, in its sole discretion, consider revised data submitted to EOHHS by the Hospital.
- c. To qualify for a correction, Hospitals must contact EOHHS in writing, no later than January 31, 2014, and must include with their request for a correction all of the necessary documentation for each and every contested claim that is part of the requested correction to demonstrate that an error has occurred. Requests for corrections that do not include all necessary documentation will not be considered.

Please contact Kiki Feldmar at the following address:

Kiki Feldmar  
Executive Office of Health and Human Services  
MassHealth Office of Providers and Plans  
100 Hancock Street, 6<sup>th</sup> Floor  
Quincy, MA 02171  
[kiki.feldmar@state.ma.us](mailto:kiki.feldmar@state.ma.us)

### **3. Incorrect Determination of 30-Day Potentially Preventable Readmissions (PPR)**

- a.** PPR calculations shall be made as described in **Section 8.1**. In the event of an error in the calculations of PPR made by EOHHS, resulting in an amount not consistent with the methodology and where the effect of the error is a decrease in the Hospital's SPAD of 2% or more, a Hospital may request a correction to its RY14 PPR calculations, which shall be at the sole discretion of EOHHS.
- b.** To qualify for a correction, Hospitals must contact EOHHS in writing, no later than January 31, 2014, and must include with their request for a correction all of the necessary documentation for each and every contested discharge used in the finalized HDD and PPR calculations. Hospital reporting errors in HDD data submitted by Hospitals and used in PPR calculations, as well as changes in claims status in MMIS that are not reflected in HDD, are not subject to correction. Requests for corrections that do not include all necessary documentation will not be considered.

Please contact Kiki Feldmar at the following address:

Kiki Feldmar  
Executive Office of Health and Human Services  
MassHealth Office of Providers and Plans  
100 Hancock Street, 6<sup>th</sup> Floor  
Quincy, MA 02171  
[kiki.feldmar@state.ma.us](mailto:kiki.feldmar@state.ma.us)

### **4. Change in Services Affecting Casemix**

In the event that a Hospital opens or closes, during the Contract year, an Inpatient Service that the Hospital believes will have a significant effect on casemix, the Hospital must provide EOHHS with a data analysis of the casemix effect for the current Rate Year and the subsequent Rate Year if it requests a casemix adjustment. EOHHS may, in its sole discretion, consider revised data submitted by the Hospital.

### **M. Data Sources**

If data sources specified by this RFA are not available, or if other factors do not permit precise conformity with the provisions of this RFA, EOHHS shall select such substitute data sources or other methodology(ies) that EOHHS deems appropriate in determining Hospitals' rates.

### **N. New Hospitals/Hospital Change of Ownership**

For any newly participating Hospital, or any Hospital which is party to a merger, sale of assets, or other transaction involving the identity, licensure, ownership or operation of the Hospital during the effective period of this RFA, EOHHS, in its sole discretion, shall determine on a case-by-case basis: (1) whether the Hospital qualifies for reimbursement under this RFA; and, if so, (2) the appropriate rates of reimbursement. Such rates of reimbursement shall be determined in accordance with the provisions of this RFA to the extent that EOHHS deems possible. EOHHS' determination shall be based on the totality of the circumstances. In cases where any such rate may, in EOHHS' sole discretion, affect computation

of any statewide average or statewide standard payment amount and/or any cost standard, MassHealth provider numbers are not assignable to new entities.

See **Sections II.5.a** and **II.5.d** of **Appendix A**, and **Appendix B, item 11**, for requirements in the event of Hospital change of ownership.

## **Section 6: Payment and Reporting Provisions**

All payments under this RFA are subject to the following provisions, as well as all other rules and regulations governing service limitations, claims payment, billing and claims processing procedures, utilization control requirements and all other MassHealth conditions of payment.

### **A. Services Requiring Practitioner Prior Approval**

EOHHS will not reimburse a Hospital for services provided when the practitioner is required to, but fails to obtain prior authorization, referrals or other approval for the service. It is the Hospital's responsibility to ensure that a practitioner providing services in the Hospital has obtained the necessary approvals.

### **B. Hospital Payments in the Event of Third-Party Coverage**

1. Except to the extent prohibited by 42 U.S.C. § 1396a(a)(25)(E) or (F), the Hospital must make diligent efforts, as defined under 130 CMR 450.316(A), to identify and obtain Insurance Payments before billing MassHealth.
2. For Inpatient Admissions, Outpatient Services, and Emergency Department Services where the Member has Third-Party Insurance coverage, EOHHS will pay the Hospital according to Third-Party Liability provisions at 130 CMR 450.316-321.

### **C. Notification of Hospital Election to Offer Reduced Medicare Coinsurance Amounts**

Acute Hospitals have an option to elect to reduce a Medicare beneficiary's Coinsurance amount under the Medicare outpatient prospective payment system. Such election must be made in writing to the Hospital's fiscal intermediary (FI), specifying the services to which it applies. The first such election must have been made by June 1, 2000, and for future years by December 1 of the year preceding the calendar year for which the election is being made. See 42 CFR 419.42.

Hospitals electing to take such an option must forward a copy of their notification to the FI to:

Executive Office of Health and Human Services  
Office of Medicaid  
Attn.: Claims Coordination Unit  
UMass-CHCF  
The Schrafft Center  
529 Main Street, 3rd Floor  
Charlestown, MA 02129

## **D. Sterilization**

EOHHS will pay for an inpatient stay for a sterilization or for outpatient sterilization services only when the Hospital meets all requirements regarding Member consent and service delivery as set forth in MassHealth regulations. For any sterilization for which the Hospital does not demonstrate compliance with Member consent requirements, including submission of all required documentation according to all applicable regulations, MassHealth will deduct an amount equal to the Hospital's PAPE from the applicable Hospital payment amount. Furthermore, the performance of a sterilization without meeting all such requirements may result in sanctions against the Hospital in accordance with 130 CMR 450.238 et seq. as well as the applicable provisions of this RFA.

## **E. Reporting Requirements**

All Acute Hospitals must furnish ownership, licensure, financial, and statistical documents relating to MassHealth participation, services, and payment, as required by EOHHS and other governmental entities. This shall include, but is not limited to, state and federal cost reports, charge books, merged billing and discharge filings, audited financial statements, and provider enrollment information. In addition, Critical Access Hospitals must timely complete all Medicaid (Title XIX) data worksheets on CMS-2552 cost reports in accordance with the CMS Provider Reimbursement Manual - Part 2 (CMS publication 15-2). If a Hospital does not furnish required information within the applicable time period, or within a reasonable extension of time approved in writing by EOHHS, such Hospital may have a 5% reduction applied to its SPAD payment rate beginning 45 days after the required submission date. This reduction shall accrue in a cumulative manner of 5% for each month of non-compliance.

For example, the downward adjustment to the Hospital's SPAD for the first month would equal 5%; if the requested documentation is not received for another month, the downward adjustment to the Hospital's SPAD for the second month shall equal 10%. The adjustment shall not, in any case, exceed 50% of the SPAD. If a Hospital is not in full compliance with the submission of the aforementioned information at such time as the Hospital's rate is subject to change (i.e., at the start of a new Rate Year, or upon commencement of an amendment that affects the SPAD rate), at no time can the new rate exceed the adjusted current rate. If, however, the new SPAD rate is less than the rate currently in effect, then the new rate will become effective and potentially subject to further adjustment.

Hospitals must separately identify in the state cost report any costs associated with Rehabilitation Units, in accordance with all applicable instructions.

## **F. Accident Reporting**

Hospitals shall use reasonable efforts to determine whether a Member's injury is due to an accident or trauma (e.g., automobile accident, accident at work). In the event that a MassHealth Member is treated at a Hospital for injuries resulting from an accident or trauma, the Hospital shall notify EOHHS in writing of the following information, at the address below:

1. Patient's name, MassHealth number (SSN or RID), address, and date of birth;
2. Date(s) of service (*from-to*);
3. Date of injury;
4. Type of accident (e.g., auto accident, accident at work, slip and fall);
5. Insured's name and address;
6. Insurance company's name;
7. Insured's attorney's name, address and telephone number.

Such written notification shall be sent to the following address:

Office of Medicaid  
Accident Trauma Recovery Unit  
P.O. Box 15205  
Worcester, MA 01615-0203  
Phone: (800) 754-1864

## **G. MassHealth Co-payments**

For any Hospital service for which a Member co-payment is applied pursuant to 130 CMR 450.130, EOHHS shall deduct the co-payment amount from the applicable Hospital payment amount specified in this RFA. Hospitals may not refuse services to any Member who is unable to pay the co-payment at the time the service is provided, and must otherwise comply with all applicable state and federal requirements regarding co-payments.

## **Section 7. Pay-for-Performance Quality Reporting Requirements and Payment Methods**

This section sets forth the MassHealth Pay-for-Performance (P4P) Program quality reporting requirements and payment methods. For RFA14, P4P payments described in **Section 7.5** are contingent upon the Hospital's performance of all applicable requirements specified in **Section 7**.

### **7.1 Pay-for-Performance Program Requirements**

The MassHealth P4P program shall operate under the following principles:

- A. Reward Hospitals for excelling in and improving quality of care delivered to MassHealth members, including the reduction of racial and ethnic health disparities.
- B. Evaluate Hospital performance using quality measures for maternity, pediatric asthma, pneumonia, surgical care infection, care coordination, emergency department, and health disparities as set forth in **Section 7.3**.
- C. Assess Hospital performance annually, in accordance with methods set forth in **Section 7.4**, to calculate performance scores that will be converted to P4P payments.
- D. Make payments to Hospitals in accordance with the methods for calculating payments set forth in **Section 7.5** of this RFA. As specified in **Section 7.5**, incentive payments for RY14 will be based on both P4P and pay-for-reporting as described therein.
- E. To be eligible to receive P4P payments, Hospitals must adhere to the following quality reporting standards:
  1. Submit complete data, as described in **Section 7.3**, for each required measure listed in **Table 7-1**;
  2. Comply with all data collection and submission guidelines published in the applicable EOHHS Technical Specifications Manual version listed in **Section 7.6.A** to ensure completeness and accuracy of data submitted;
  3. Meet data submission deadlines set forth in **Section 7.6.A**. Failure to timely submit all data and reporting in the form and formats required by EOHHS may render the Hospital ineligible for some or all payments under **Section 7** of this RFA;
  4. Identify and authorize individuals to conduct electronic data transactions, via the EOHHS designated secure portal, on the Hospital's behalf;
  5. Meet the minimum reliability standards for data elements and pass data validation as defined in **Section 7.4.B**; and
  6. Achieve quality standards and performance benchmarks on reported measures data.

- F. All Hospitals contracting with EOHHS are required to participate in P4P quality reporting for all applicable measures. A Hospital's performance with respect to the requirements in **Section 7** may affect its present and future participation in the MassHealth program and its rate of reimbursement.

## 7.2 Hospital Key Quality Representative Requirements

Each Hospital must identify and designate two key quality representatives, with the appropriate expertise to coordinate and communicate with EOHHS on all aspects of **Section 7** requirements during the Contract period. The two key quality representatives shall act in accordance with, but not be limited to, the following responsibilities:

- A. Serve as the primary contact for all correspondence pertinent to the Hospital's quality performance reports, including responding to all inquiries and requests made by EOHHS, in accordance with the timeframes and format specified by EOHHS.
- B. Notify EOHHS of any changes in the key quality representatives that occur during the Contract period as soon as the information becomes available, using the *Hospital Quality Contacts Form*;
- C. Use the mailbox address: [Masshealthhospitalquality@state.ma.us](mailto:Masshealthhospitalquality@state.ma.us) to expedite communication between EOHHS and the Hospital on **Section 7** requirements and comply with the following conditions that apply to use of this e-mail address:
  - 1. Only the two key quality representatives are automatically entered into the e-mail distribution list of the EOHHS mailbox system. Requests to add other staff not listed on the Hospital Quality Contact Form to this mailbox must be requested in writing.
  - 2. Key quality representatives will receive ongoing updates from the EOHHS mailbox system on quality reporting requirements and other quality-related initiatives during the Contract period.
  - 3. Key quality representatives are responsible for disseminating updates sent from the EOHHS private mailbox system and communicating to all staff and/or third-party vendors involved in quality performance reporting.
- D. **Reporting Requirement.** Each Hospital must complete and submit information on all staff involved in quality reporting using the *Hospital Quality Contacts Form* per instructions in **Section 7.6.E** by the due date set forth in **Section 7.6.A**.

## 7.3 Hospital Quality Performance Measures

For RFA14, Hospitals are required to collect and submit data on all quality measures for which they are eligible to report based on the measure's patient population definitions, treatment of conditions

and types of services provided. **Table 7-1** identifies the specific hospital quality measures by measure ID number and name that apply for RY14 reporting.

**Table 7-1. Hospital Quality Performance Measures**

Measure ID #	Measure Set and Name	Measure Reporting Status
MAT-1 MAT-2a MAT-2b MAT-3	<b>Maternity Measure Set</b> Intrapartum Antibiotic Prophylaxis for Group B Streptococcus Perioperative Antibiotics for Cesarean Section –Antibiotic Timing Perioperative Antibiotics for Cesarean Section – Antibiotic Selection Elective Delivery Prior to 39 Completed Weeks Gestation	No change
CAC-1a CAC-2a CAC-3	<b>Pediatric Asthma Measure Set</b> Children's Asthma Care - Inpatient Use of Relievers Children's Asthma Care - Inpatient Use of Corticosteroids Children's Asthma Care – Home management plan of care	No change
PN-3b PN-6	<b>Community Acquired Pneumonia Measure Set</b> Blood culture performed in ED prior to first antibiotic received in hospital Appropriate antibiotic selection for CAP in immuno-competent patients	No change
SCIP-1a SCIP-2a SCIP-3a	<b>Surgical Care Infection Prevention Measure Set</b> Prophylactic antibiotic received within 1 hour prior to surgical incision Appropriate antibiotic selection for surgical prophylaxis Prophylactic antibiotic discontinued w/in 24 hrs after surgery end time	No change
HD-2	<b>Health Disparities Measure</b> Health Disparities Composite	No change
CCM-1 CCM-2 CCM-3	<b>Care Coordination Measure Set</b> Reconciled medication list received at discharge (inpatient) Transition record with specified data received at discharge (inpatient) Timely transmission of transition record (inpatient)	No change
ED-1 ED-2	<b>Emergency Department Measure Set</b> Median time from ED arrival to ED departure for admitted ED patient Median time from admit decision to ED departure for admitted patients	<b>NEW</b> (Began with Q1-2013 ) (Began with Q1-2013 )

1. **Quality Performance Measure Sets.** The quality performance measure sets listed in **Table 7-1** include individual measures that are part of a measure set and one composite measure (HD-2). In RY14, measure reporting status includes the continuation of data collection that began in the previous Fiscal Year (Q1-2013: January 1, 2013 - March 31, 2013) as follows:
  - a. *Maternity Measure Set:* No changes apply to the reporting status for the individual maternity measures listed in **Table 7-1**. Hospitals must continue to collect and report on these measures in RY14.
  - b. *Pediatric Asthma Measure Set:* No changes apply to the reporting status for the individual children’s asthma care measures listed in **Table 7-1**. Hospitals must continue to collect and report on these measures in RY14.
  - c. *Community Acquired Pneumonia Measure Set:* No changes apply to the reporting status for individual pneumonia measures listed in **Table 7-1**. Hospitals must continue to collect and report on these measures in RY14.

- d. *Surgical Care Infection Prevention Measure Set*: No changes apply to the reporting status for the individual surgical care infection prevention measures listed in **Table 7-1**. Hospitals must continue to collect and report on these measures in RY14.
  - e. *Care Coordination Measure Set*: No changes apply to the reporting status for the individual care coordination measures listed in **Table 7-1**. Hospitals must continue to collect and report on these measures in RY14.
  - f. *Emergency Department Measure Set*: The individual ED measures reporting, listed in **Table 7.1**, began as of the Q1-2013 (January 1, 2013 – March 31, 2013 discharge period) data submission cycle. Hospitals are required to collect and report on the entire ED-1 and ED-2 measure population strata. However, performance evaluation will be based on ED-1b and ED-2b measure population strata as referenced in the applicable EOHHS Technical Specifications Manual.
  - g. *Health Disparities Composite Measure*: This composite measure will be comprised of aggregate data from specific individual measures (i.e., maternity, pediatric asthma, community acquired pneumonia, care coordination and surgical care infection prevention measure sets), listed in **Table 7-1**, on which the hospital reports. Hospitals must ensure that all quality measures data collected includes Race, Hispanic Indicator, and Ethnicity codes and allowable values as required by regulations at 114.1 CMR 17.00, 114.5 CMR 21.00, and 114.5 CMR 22.0. In addition, Hospitals must ensure that the sampling of cases requested for chart validation purposes includes proper documentation to verify the Race, Hispanic Indicator, and Ethnicity codes against the quality measures data files.
2. **EOHHS Measure Specifications**. All Hospitals must adhere to the data collection and reporting guidelines contained in the applicable *EOHHS Technical Specifications Manual* version listed in **Section 7.6**, for the reporting of all measures listed in **Table 7-1**. This comprehensive manual contains technical details on data element definitions, clinical algorithms for inclusion and exclusions that apply to numerators/denominators, sampling guidelines, data abstraction tools, XML schema, data dictionary, portal system requirements, Medicaid payer source code instructions, race/ethnicity codes, and more. EOHHS updates the *EOHHS Technical Specifications Manual* regularly and changes to reporting become effective with quarter reporting periods as specified in **Table 7-1** of this RFA. Refer to **Section 7.6.A** of this RFA for the appropriate updated versions of the *EOHHS Technical Specifications Manual* for the applicable quarterly data reporting cycle.
  3. **All Medicaid Payer Data Collection**. As of RY14, hospital quality reporting for the measures listed in **Table 7-1** must be collected on all Medicaid payer data. Detailed instructions on all Medicaid payer data reporting requirements, including all relevant payer codes, are included in the applicable version of the *EOHHS Technical Specifications Manual* referred to in **Section 7.6.A**. In general, all Medicaid payer data includes data on hospital services provided to MassHealth members under 65 years of age, with fee-for-service coverage, or who are enrolled in the PCC Plan, including the managed behavioral health vendor, or the MassHealth MCO program, Children’s Medical Security Plan (CMSP), Healthy Start programs, and certain other payer codes, in each case where MassHealth is the primary payment source.

4. **Data Accuracy and Completeness Requirements.** Hospitals are required to submit complete data on all measures in the form of electronic data files, aggregate ICD patient population data, and proper documentation for chart validation purposes for each quarterly discharge period being reported. The electronic data files must include all cases that meet the inclusion criteria for each measure's eligible patient population, and conform to the XML file layout format with all required MassHealth patient identifier data. Each Hospital must also enter the ICD patient population data that supplements the upload of electronic data files, for each reporting quarter, via the secure portal, in accordance with instructions set forth in the applicable version of *EOHHS Technical Specifications Manual*, by submission deadlines listed in **Table 7-4 of Section 7.6**. As of RY14, each Hospital is required to sign and submit a data accuracy and completeness attestation form, per instructions in **Section 7.6.E** by the due date set forth in **Section 7.6.A**.

## 7.4 Performance Assessment Methods

Hospital performance will be determined by assessing performance on each measure the Hospital reports on. Performance assessment methods include computing measure rates, data validation scores, performance thresholds, assignment of quality points, and total performance scores, as described below.

**A. Measure Calculation.** Each measure will be calculated using the following methods:

1. *Individual Measure Rate:* A measure rate is calculated by dividing the numerator by the denominator, to obtain a percentage for each individual measure listed in **Table 7-1** except for the ED measures. The ED measures are calculated using a median time outcome from all patient level time data reported.
2. *Health Disparities Composite Measure:* The HD-2 measure is calculated by dividing the composite numerator rate by the composite denominator rate stratified by race/ethnicity reference and comparison groups which is converted to a disparity index value. The composite numerator rate is created by summing the numerators of individual measures and the composite denominator rate is created by summing the denominators of individual measures the hospital reports on. The composite measure and disparity index value are calculated only for Hospitals that report on more than one racial group in their electronic data files. The numerators and denominators for this measure are defined in the applicable *EOHHS Technical Specifications Manual* listed in **Section 7.6.A**. As noted in **Section 7.3.A.7** the following individual measure sets - maternity, pediatric asthma, community acquired pneumonia, care coordination and surgical care infection prevention -- will be included in the HD-2 composite calculation. The ED measure set will not be included in the HD-2 measure calculation because a median time outcome cannot be combined with a measure rate outcome.

**B. Data Validation Requirements.** All reported measures are subject to data validation that requires meeting the minimum reliability standard of 80 percent for data elements. Hospitals are considered to have "passed" validation if the overall agreement score of 80 percent has been met. Passing data validation is required prior to computing a Hospital's performance scores on

each measure category pursuant to **Section 7.5**. The applicable *EOHHS Technical Specifications Manual* version, listed in **Section 7.6.A**, provides detailed information on data validation methods that apply to all quality measures.

**C. Individual Measures Performance Assessment.** Each individual measure's performance will be assessed on levels for attainment, improvement and benchmark defined as follows:

**1. Setting Performance Thresholds**

- a. *Attainment Threshold:* represents the minimum level of performance that must be achieved on each individual measure to earn attainment points. The attainment threshold is defined as the median performance (50<sup>th</sup> percentile) of all hospitals in the previous reporting year.
- b. *Improvement Range:* represents the minimum level of performance achieved above the previous year, but below the benchmark, that must be achieved on each individual measure to earn improvement points; and
- c. *Benchmark:* represents the highest level (exemplary) performance achieved on each individual measure to earn the maximum amount of quality points. The benchmark performance level is set at the mean of top decile (90<sup>th</sup> percentile) of all hospitals the previous reporting year.

Performance thresholds are derived from hospital reported data to calculate minimum attainment thresholds and benchmarks on each individual measure. Performance thresholds for the MassHealth-specific measures (maternity, pediatric asthma, care coordination) are calculated using the previous year All Medicaid payer reported data. Performance thresholds on the nationally reported measures (pneumonia, surgical infection prevention, emergency department) are calculated using previous year state-level data obtained from the CMS Hospital Compare website.

**2. Quality Points System.** A Hospital's performance on each individual measure reported will be calculated using a quality point system. Hospitals can earn a range of quality points (from 0-10 points) based on where the Hospital's measure rate falls, relative to the attainment, improvement and the benchmark as follows:

- 1) *Attainment Points.* A Hospital can earn points for attainment based on relative placement between the attainment and benchmark. If a Hospital's rate for the measure is:
  - i. *Equal to or less than* the attainment threshold, it will receive zero (0) points for attainment.
  - ii. *Within the attainment range (greater than the attainment threshold but below benchmark)* it will receive anywhere from 1 to 9 points for attainment.
  - iii. *Equal to or greater than* the benchmark, it receives 10 points for attainment.
- 2) *Improvement Points.* A Hospital can earn points for improvement based on how much the Hospital's measure rate has improved from the previous reporting year period. If a Hospital's rate for the measure is:

- i. *Equal to or less than* previous year, it will receive zero (0) points for improvement.
- ii. *Within the improvement range*, it will receive anywhere from 0 to 9 points for improvement.

If the Hospital has failed validation, per **Section 7.4.B**, in the previous reporting year, data from that period is considered invalid for use in calculating baseline performance. Therefore, the Hospital would not be eligible for improvement points. However, the hospital may be eligible for attainment points on each individual measure, based on calculation of RY14 data, if it passed validation in RY14.

**D. Health Disparities Composite Measure Performance Assessment.** The health disparities composite measure performance will be assessed using the following methods:

**1. Setting Performance Thresholds**

- a. *Decile Ranking Method.* Performance will be assessed using a method that determines the Hospital’s rank, relative to other hospitals, based on the decile ranking system. Hospitals that meet the measure calculation criteria, per **Section 7.4.A.2**, are divided into ten groups (deciles) based on their disparity index value, so that approximately the same number of hospitals fall within each decile.
- b. *Target Attainment Threshold.* The target attainment threshold represents the minimum level of performance that must be achieved to earn incentive payments. The target attainment is defined as the boundary for a disparity index value that falls above the 2<sup>nd</sup> decile group, as shown in **Table 7-2** below.

**2. Disparity Index Value Ranking and Conversion Factor**

- a. *Disparity Index Value Ranking.* All Hospital disparity index values, computed per **Section 7.4.A.2**, are rounded to six decimal places. All index values are ranked from highest to lowest so approximately the same number of hospitals fall in each decile group.
- b. *Conversion Factor.* Each decile group is assigned a weighted conversion factor associated with the decile threshold, as shown in **Table 7-2** below.

**Table 7-2. Decile Performance Thresholds**

Performance Threshold	Decile Group	Conversion Factor
Top Decile	10 <sup>th</sup> decile	1.0
	9 <sup>th</sup> decile	.90
	8 <sup>th</sup> decile	.80
	7 <sup>th</sup> decile	.70
	6 <sup>th</sup> decile	.60
	5 <sup>th</sup> decile	.50
	4 <sup>th</sup> decile	.40
<b>Target Attainment</b>	3 <sup>rd</sup> decile	.30
Lower Deciles	2 <sup>nd</sup> decile	0

Performance Threshold	Decile Group	Conversion Factor
	1 <sup>st</sup> decile	(zero)

To meet the target attainment threshold the Hospital’s disparity index value must exceed the value above the 2<sup>nd</sup> decile cut-off point to fall in the next decile. Index values that fall into the 1<sup>st</sup> and 2<sup>nd</sup> decile group are assigned a conversion factor of zero. A disparity index value that falls within the same given decile group are assigned the same conversion factor.

**E. Performance Score Calculations.** A Hospital’s performance score for the individual and health disparities composite measures will be computed using the methods described below:

**1) Individual Measures.** A Hospital’s performance score, for each individual measure it is eligible to report on, is calculated based on the quality point system methods outlined in **Section 7.4.C** of this RFA. The following methods apply to computing the points earned:

- i. *Attainment Points.* The number of “attainment points” a Hospital receives is determined by the ratio of the difference between the Hospital’s measure rate and the attainment threshold divided by the difference between the *benchmark* and the *attainment threshold*. This ratio is multiplied by 9 and increased by 0.5. The Hospital’s “attainment points” will be calculated based on the following formula:

Hospital’s Measure Rate – Attainment Benchmark - Attainment	$\times 9 + 0.5 = \text{Hospital’s Attainment Points Earned}$
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- ii. *Improvement Points.* The number of “improvement points” a Hospital receives is determined by the ratio of the difference between the Hospital’s Current Measure Rate and the Previous Year’s Measure Rate divided by the difference between the benchmark and the Previous Year’s Measure Rate. This ratio is multiplied by 10 and decreased by 0.5. The Hospital’s “improvement points” will be calculated based on the following formula:

Current Measure Rate – Previous Year’s Measure Rate	$\times 10 - 0.5 = \text{Hospital’s ImprovementPoints Earned}$
Benchmark – Previous Year’s Measure Rate	

All attainment and improvement points earned will be rounded to the nearest whole number (i.e., 3.3 = 3.0 and 3.5 = 4.0).

- iii. **Total Performance Score.** The total performance score, for the individual measures, reflects a percentage of quality points earned out of the total possible points for each measure category, pursuant to **Section 7.5**. For each quality measure category, the quality points awarded are the higher of the attainment or the improvements points earned. The total awarded quality points for each measure category is divided by the total possible points to obtain the total performance score based on the following formula:

Total Awarded Points	× 100% = Total Performance Score
Total Possible Points	

- 2) **Health Disparities Composite Measure Performance Score.** The performance score for the health disparities measure reflects the equivalent of the assigned conversion factor, per **Section 7.4.D**, that is calculated based on the following formula:

(Conversion Factor) x 100% = Composite Performance Score
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F. **Performance Evaluation Periods.** In RY14, the following performance evaluation periods apply:

1. **Individual Measures:** Individual measures will be evaluated using calendar year measures data reported in the comparison year (January 1, 2013 to December 31, 2013 discharge period) and previous year’s reported data (January 1, 2012 to December 31, 2012 discharge period). For detailed information about comparative performance periods that apply to individual measures, refer to the applicable *EOHHS Technical Specifications Manual* version listed in **Section 7.6.A**.
2. **Health Disparities Composite Measure:** each Hospital’s performance score will be evaluated using all applicable measures data reported, pursuant to **Section 7.4.A.2**, for the calendar year (January 1, 2013 to December 31, 2013) discharge periods *only*. The decile ranking method evaluates performance on a year-by-year basis and does not use comparison year data. Each year the Hospital’s performance rank will be determined using the decile ranking method described in **Section 7.4.D**.

## 7.5 Pay-for-Performance (P4P) Payment Calculation Methods

As set forth in **Section 7.4** of this RFA, a Hospital may qualify to earn P4P payments if they meet data completeness requirements, data validation requirements and achieve performance thresholds for measures listed in **Section 7.3** of this RFA. Each measure set’s performance is calculated from the calendar year reported data, using the methods outlined in **Section 7.4** to produce performance scores that are converted into P4P payments. This section describes the methods used to convert individual and composite measure performance scores into hospital P4P payments.

- a. **Incentive Payment Approach.** In RY14, incentive payment approaches will be based on both pay-for-performance and pay-for-reporting as described below:
  1. **Pay-for-Performance Measures:** Incentive payments on the existing measure sets, listed in **Table 7-1** (maternity, pediatric asthma, community acquired pneumonia, surgical care infection prevention, care coordination, and health disparities), will be contingent on meeting data validation standards and achieving performance thresholds set forth under **Section 7.4** of this RFA.

2. **Pay-for-Reporting Measures:** In RY14, the pay-for-reporting measure applies *solely* to the emergency department measure set. Incentive payments will be contingent on meeting the data validation standard (.80) for the measure’s required data elements. Performance scoring will apply a “Pass/Fail” criterion based *solely* on meeting the data validation standard (.80) requirement. Hospitals that fail validation will receive a performance score of 0%, and Hospitals that pass validation will receive a performance score of 100%.
- b. **Payment Calculation.** Incentive payments for each quality measure category will be calculated using methods described below.
- i. **Maximum Allocated Amount.** Incentive payments under the RFA may cumulatively total no more than the maximum amount allotted for each quality measure category in **Table 7-3** below.

**Table 7-3. Payment Calculation Components**

Quality Measure Category	Maximum Allocated Amount	Estimated Eligible Medicaid Discharges*	Estimated Per Discharge Amount*
Maternity	\$ 21,500,000	12,976	\$ 1,656.91
Pediatric Asthma	\$ 1,500,000	497	\$ 3,018.11
Community Acquired Pneumonia	\$ 3,500,000	1,543	\$ 2,268.31
Surgical Care Infection Prevention	\$ 3,000,000	1,121	\$ 2,676.18
Health Disparities Composite	\$ 2,500,000	69,618	\$ 35.91
Care Coordination	\$ 11,000,000	53,481	\$ 205.68
Emergency Department	\$ 7,000,000	31,182	\$ 224.49
<b>TOTAL</b>	<b>\$50,000,000</b>	--	--

\* The estimated eligible Medicaid discharges and estimated per-discharge amount for each measure category are based on FY12 HDD. The final numbers on these two columns will be determined based on FY13 HDD, when that data becomes available.

- ii. **Eligible Medicaid Discharges.** The eligible Medicaid discharges for each quality measure category listed in **Table 7-3** will be calculated based on the FY13 hospital discharge data (HDD) for payer codes 103 and 104 *only* using the following methods:
- a. **Individual Measure Categories.** For the individual measures (maternity, pediatric asthma, community acquired pneumonia, care coordination, surgical care infection prevention, and emergency department), the eligible Medicaid discharges are based on the FY13 HDD casemix data that met payer codes 103 and 104 and the International Classification of Diseases (ICD) population requirements referenced in the EOHHS *Technical Specifications Manual* for each measure category the hospital reported on, pursuant to **Section 7.3**.

**b. Health Disparities Composite Measure Category.** For the health disparities composite measure, the eligible Medicaid discharges are based *only* on the sum of - discharges for the specific individual measure categories (maternity, pediatric asthma, community acquired pneumonia, care coordination, surgical care infection prevention) that the hospital reported on and that meets the criteria for the composite measure calculation per **Section 7.4.A.2**. The emergency department measure is the only individual measure category for which Medicaid discharges will not be included in the health disparities measure pursuant to the measure calculation conditions explained in **Section 7.4.A.2**.

3. *Quality Measure Category per Discharge Amount.* **Table 7-3** above estimates the per-discharge amount based on FY12 HDD for each measure category. The final per-discharge amounts will be determined based upon FY13 HDD for each measure category. To determine these amounts, EOHHS will use the following formula:

Maximum Allocated Amount	= Quality Measure Category per-Discharge Amount
Statewide Eligible Medicaid Discharges	

For each quality measure category, EOHHS has established a maximum allocated amount, noted in **Table 7-3**. The maximum allocated amount will be divided by the statewide eligible Medicaid discharges to determine the per-discharge amount for each measure category.

**C. Incentive Payment Formulas.** Payments for each quality measure category will be calculated based on the following formulas:

**a. Individual Measure Categories:** Incentive payments will be calculated by multiplying the Hospital’s eligible Medicaid discharges by quality measure category per-discharge amount by the total performance score, per **Section 7.4.E** using the following formula:

(Hospital’s Eligible Medicaid discharges) x (Quality Measure Category per-Discharge Amount) x (Total Performance Score)	= Hospital P4P Payment Individual Measure Category
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**b. Health Disparities Composite Measure:** Incentive payments will be calculated by multiplying the Hospital’s eligible Medicaid discharges by quality measure category per-discharge amount by the composite performance score per **Section 7.4.E** using the following formula:

(Hospital's Eligible Medicaid discharges) x (Quality Measure Category per-Discharge Amount) x (Composite Performance Score)	= Hospital P4P Payment Health Disparity Measure Category
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A Hospital's total RY14 P4P payment will be the sum of the P4P payments for each quality measure category for which the hospital qualifies for payment.

## 7.6 Pay-for-Performance Reporting Requirements

Each Hospital must submit all information required for each measure listed in **Section 7.3** and comply in accordance with reporting requirements set forth below.

**A. Data Submission Timelines.** All measures data for the hospital quality performance measures listed in **Section 7.3** must be submitted in quarter reporting cycles on the due dates noted in **Table 7-4**. The hospital contact information must be submitted per instructions set forth below under **Section 7.6.E**.

**Table 7-4. Data Submission Timelines**

Submission Due Date	Data Submission Requirement	Data Reporting Format	Detailed Reporting Instructions
<b>October 1, 2013</b>	Hospital Quality Contacts Form Hospital Data Accuracy and Completeness Attestation Form	HospContact_2014 Form HospDACA_2014 Form	RFA Section 7.2.D RFA Section 7.6.E
<b>November 15, 2013</b>	Q2-2013 (Apr - June 2013) Q2-2013 ICD Population Data	Electronic Data Files; and ICD On-line data entry form (via MassQEX Portal)	RY2013 Technical Specs Manual Version 6.0, 6.1a
<b>February 14, 2014</b>	Q3-2013 (July - Sept 2013) Q3-2013 ICD Population Data	Electronic Data Files; and ICD On-line data entry form (via MassQEX Portal)	RY2013 Technical Specs Manual (Version 7.0)
<b>May 16, 2014</b>	Q4-2013 (Oct - Dec 2013) Q4-2013 ICD Population Data	Electronic Data Files; and ICD On-line data entry form (via MassQEX Portal)	RY2013 Technical Specs Manual (Version 7.0)
<b>August 15, 2014</b>	Q1-2014 (Jan - Mar. 2014) Q1-2014 ICD Population Data	Electronic Data Files; and ICD On-line data entry form (via MassQEX Portal)	Technical Specs Manual (Version TBD)

**B. Data Reporting Format.** All electronic data must be submitted using the following formats:

- 1. MassHealth Quality Exchange (MassQEX) Portal.** EOHHS has designated the MassQEX website as the secure portal for the submission of all electronic data files required in **Section 7.3** that meets HIPAA requirements to ensure data confidentiality is protected. All Hospitals must identify and authorize staff that will conduct data transactions on their behalf, plus meet portal system requirements. All users of the MassQEX portal system are required to complete the on-line registration form via the website, which requires authorization from the Hospital's Chief Executive Officer and the EOHHS vendor to establish user accounts for uploading data, per instructions set forth in

the *EOHHS Technical Specifications Manual*. The MassQEX web portal can only be accessed by registered users through the following URL: <http://massqex.ehs.state.ma.us/>

2. **ICD On-line Data Entry Form.** All aggregate ICD patient population data must be reported via the secure web portal using the on-line data entry form. This form is only visible to registered users after they have logged into the MassQEX system. Hospitals must comply with ICD data entry for each quarterly submission cycle even when the hospital has zero cases to report during a given quarter. Only Hospitals, and not third-party data vendors, are authorized to enter ICD data. Instructions on how to access and enter the ICD data are contained in the appropriate *EOHHS Technical Specifications Manual*.
- C. Technical Specifications Manual.** EOHHS publishes a comprehensive manual as a supplement to this RFA, which contains technical instructions, as described in **Section 7.3**, to assist hospitals in data collection and reporting of measures required in **Section 7.3**. The contents of this manual may be updated during the contract Rate Year to clarify measurement and reporting instructions as needed. Hospitals are responsible for downloading and using the appropriate versions of EOHHS Technical Specifications Manual that apply to each quarterly discharge data period being collected and submitted, as noted in **Section 7.6.A**. Failure to adhere to appropriate versions of the manual will result in the portal rejecting clinical data files. All versions of the manuals are available on the MassQEX website at <http://massqex.ehs.state.ma.us/>; click on the “Specifications Manual” tab.
- D. Third-Party Data Vendors.** Hospitals can identify third-party vendors to conduct clinical data file transactions on their behalf via the MassQEX secure portal. Third-party data vendors must follow the registration process and establish user accounts, if previously authorized by the Hospital. Hospitals are responsible for communicating directly with their data vendors on all aspects of data reporting requirements set forth in **Section 7** of this RFA, including adherence to the appropriate versions of the *EOHHS Technical Specifications Manual* to ensure completeness and accuracy of data files submitted on the Hospital’s behalf.
- E. Hard Copy Reporting Forms**
1. **Hospital Quality Contact Form.** Each Hospital must complete and submit information on all staff involved in quality reporting using the HospContact 2014.pdf fillable form. This form is due at the beginning of the rate year and must be resubmitted when any change in key quality representatives occurs.
  2. **Hospital Data Accuracy and Completeness Attestation Form.** As of RY14, each Hospital must submit this form to acknowledge data completeness requirements pursuant to **Section 7.3.D** using the HospDACA\_2014.pdf fillable form. This form must be signed by the Hospital’s chief executive officer and is due only at the beginning of each rate year.

Electronic versions of these forms are posted on the Mass.gov website “*Special Notices to Hospitals*” at: <http://www.mass.gov/eohhs/gov/laws-regs/masshealth/special-notice-for-hospitals.html> The form can also be obtained by sending a request to the EOHHS mailbox at [Masshealthhospitalquality@state.ma.us](mailto:Masshealthhospitalquality@state.ma.us).

Hospitals must mail ***one*** hard copy of the *Hospital Quality Contacts Form and the Hospital Data Accuracy and Completeness Attestation Form*, with a typed cover letter using Hospital stationary that identifies content enclosed, to Kiki Feldmar at the following address:

Ms. Kiki Feldmar  
Executive Office of Health and Human Services  
MassHealth Office of Providers and Plans  
100 Hancock Street, 6<sup>th</sup> Floor  
Quincy, MA 02171

Hard-copy submissions must be postmarked by close of business on the due date specified in **Table 7-4**.

## Section 8: Other Quality- and Performance-Based Payments

The following provisions regarding Potentially Preventable Readmissions (PPRs), Provider Preventable Conditions (PPCs), and Serious Reportable Events (SREs), reflect and further EOHHS' commitment to value-based purchasing and to help ensure safer and cost-effective care delivery to MassHealth members by encouraging Hospitals to establish measures and actions to actively improve performance in patient care safety, reduce readmissions, and avoid preventable errors.

### 8.1 30-day Potentially Preventable Readmissions (PPRs)

Hospitals with a greater number of Actual Potentially Preventable Readmission (PPR) Chains than Expected PPR Chains, based on data specified in **8.1.B** will receive a reduction to their Standard Payment Amount per Discharge (SPAD) (including Pediatric SPAD). This reduction will be applied to Hospitals identified using the methodology described below.

#### A. Definitions

**Actual PPR Chains:** The actual number of PPR Chains for a specific Hospital.

**Actual PPR Volume:** The number of Actual PPR Chains for the time period.

**Actual PPR Rate:** The number of Initial Admissions with one or more qualifying Clinically Related PPRs within a 30-day period divided by the total number of At-risk Admissions.

**At-risk Admissions:** The number of Total Admissions considered at risk for readmission, as determined by the 3M PPR methodology.

**Clinically Related:** A requirement that the underlying reason for readmission be plausibly related to the care rendered during or immediately following a prior Hospital admission.

**Expected PPR Chains:** The number of PPR Chains a Hospital, given its mix of patients as defined by All Patient Refined Diagnosis Related Group (APR-DRG) category and severity of illness level, would have experienced had its rate of PPRs been identical to that experienced by a reference or normative set of Hospitals.

**Expected PPR Rate:** The number of Expected PPR Chains divided by the total number of At-risk Admissions. The expected rate for each APR-DRG is the statewide average Actual PPR Rate for that APR-DRG.

**Excess PPR Volume:** The number of Actual PPR Chains above the number of Expected PPR Chains, as calculated by the 3M PPR methodology, for a specific Hospital. For a Hospital for which the number of Actual PPR Chains is equal to or less than the number of Expected PPR Chains, there is no Excess PPR Volume.

**Hospital Discharge Volume:** The number of Hospital discharges in FY12 for which a SPAD was paid, as determined by claims in MMIS as of May 11, 2013 and for which MassHealth is the primary payer.

**Hospital PPR Payment Reduction:** The Excess PPR Volume for a specific Hospital multiplied by that Hospital's RY14 SPAD (exclusive of any PPR adjustment) multiplied by the Adjustment Factor of 3.

**Initial Admission:** An admission that is followed by a Clinically Related readmission within a specified readmission time interval. Subsequent readmissions relate back to the care rendered during or following the Initial Admission. The Initial Admission initiates a PPR Chain.

**Potentially Preventable Readmission (PPR):** A readmission (return hospitalization within the specified readmission time interval) that is Clinically Related to the Initial Admission.

**PPR Chain:** A PPR or a sequence of PPRs. A PPR Chain can extend beyond 30 days, as long as the time between each discharge and subsequent readmission is within the 30-day time frame. Therefore, if Patient X is admitted on September 4<sup>th</sup>, readmitted on September 20<sup>th</sup>, and readmitted again on October 18<sup>th</sup>, that sequence is calculated as one (1) PPR Chain.

**Readmission:** A return hospitalization to an acute care Hospital that follows a prior Initial Admission from an acute care Hospital. Intervening admissions to non-acute care facilities are not considered readmissions.

**Total Admissions:** The total number of Medicaid FFS/PCC Plan admissions for the time period, excluding mental health and substance abuse diagnoses.

## **B. Determination of Readmission Rates and Volumes**

PPRs are identified in CHIA's Hospital Discharge Data (HDD) for MassHealth Primary Care Clinician and Fee-for-Service non-psychiatric discharges (payer types 103 and 104 as reported by the Hospital) by using the 3M PPR software version 30. The time period for identifying Total and At-risk Admissions was from September 1, 2011 to August 31, 2012, based on date of discharge. The time period for identifying PPRs associated with these At-risk Admissions was from September 1, 2011 to September 30, 2012 based on date of discharge.

### **1. Statewide Average PPR Rate**

The statewide average Actual PPR Rate for each All Patient Refined Diagnosis Related Group (APR-DRG) is calculated and represents the PPR benchmark for that APR-DRG.

### **2. Hospital-specific Actual PPR Volume**

Each Hospital's Actual PPR Volume is the number of PPR Chains in the specified time period.

### **3. Hospital-specific Expected PPR Volume**

In order to derive the Hospital-specific Expected PPR Volume, the statewide average Actual PPR Rates for each APR-DRG are applied to each Hospital's volume of At-risk Admissions by APR-DRG for the time period specified above and summed across all of the Hospital's APR-DRGs.

The Expected PPR Volume therefore reflects how a given Hospital should have performed on each APR-DRG recorded in their HDD filing

### **4. Hospital-specific Excess PPR Volume**

The Hospital-specific Excess PPR Volume is calculated as the number of Actual PPR Chains in excess of the number of Expected PPR Chains, as calculated by the 3M PPR methodology, for a specific Hospital. For a Hospital for which the number of Actual PPR Chains is equal to or less than the number of Expected PPR Chains, there is no Excess PPR Volume.

### **5. Hospital-specific Actual PPR Rate**

Each Hospital's Actual PPR Rate is derived by dividing the number of Actual PPR Chains in the specified time period by the total number of At-risk Admissions.

### **6. Hospital-specific Expected PPR Rate**

In order to derive the Hospital-specific Expected PPR Rate, the statewide average Actual PPR Rates for each APR-DRG are applied to each Hospital's volume of At-risk Admissions by APR-DRG casemix. The Expected PPR Rate is therefore risk-adjusted and reflects how a given Hospital should have performed on each APR-DRG for the time period specified above.

### **7. Hospital-specific Actual-to-Expected PPR Ratio**

Each Hospital's Actual-to-Expected (A:E) ratio is calculated as:

$$\text{Actual PPR Rate/Expected PPR Rate}$$

### C. Calculation of Payment Reduction

Only Hospitals with more than 40 Initial Admissions at risk for a PPR are subject to this reduction.

Each Hospital's PPR Payment Reduction will initially be calculated as follows:

$$\frac{[(\text{Hospital-Specific Excess PPR Volume}) \times (\text{Hospital's RY14 SPAD Exclusive of PPR Reduction}) \times (\text{Adjustment Factor})]}{(\text{Hospital Discharge Volume})}$$

=

Hospital's PPR Payment Reduction per Discharge

Where the "Adjustment Factor" for RY14 is 3 and which is a multiplier intended to provide incentive for Hospitals to identify and implement methods to reduce PPRs. The RY14 Hospital SPAD is as calculated in **Sections 5.B.2** through **5.B.4**. The rest of the calculation depends on whether a Hospital qualifies for an Improvement Adjustment in accordance with **Section 8.1.D** below.

#### 1. Hospitals Without Improvement Adjustment

Hospitals with Excess PPR Volume that do not qualify for an Improvement Adjustment in accordance with **Section 8.1.D**, below, receive a SPAD percentage reduction calculated as follows:

$$\frac{\text{Hospital's PPR Payment Reduction per Discharge}}{\text{Hospital's RY14 SPAD Exclusive of PPR Payment Reduction}} \times 100$$

=

Hospital's Percent Reduction to SPAD due to Excess PPR Volume

#### 2. Hospitals Qualifying for Improvement Adjustment

Hospitals with Excess PPR Volume that qualify for an Improvement Adjustment in accordance with **Section 8.1.D**, below, receive a SPAD percentage reduction calculated using the following two steps:

**Step 1:**

$$\frac{\text{Actual to Expected PPR Ratio RY 14}}{\text{Actual to Expected PPR Ratio RY13}} \times \text{Hospital's PPR Payment Reduction per Discharge} = \text{Improvement Adjusted Hospital PPR Payment Reduction per Discharge}$$

**Step 2:**

$$\frac{\text{Improvement Adjusted Hospital's PPR Payment Reduction per Discharge}}{\text{Hospital's RY14 SPAD Exclusive of PPR Payment Reduction}} \times 100 = \text{Hospital's Percent Reduction to SPAD due to Excess PPR Volume}$$

**D. Improvement Adjustment**

If a Hospital has Excess PPR Volume for RY14 but has achieved an improvement as indicated by a decrease to its Actual-to-Expected PPR Ratio in RY14 compared to RY13, EOHHS shall adjust downward the PPR Payment Reduction the Hospital would otherwise receive. This "Improvement Adjustment" to the PPR Payment Reduction is calculated by applying the percent decrease in the RY14 Actual-to-Expected PPR Ratio to the Hospital's PPR Payment Reduction. For example, if a Hospital had a RY13 Actual-to-Expected PPR Ratio of 1.30 and a RY14 Actual-to-Expected PPR Ratio of 1.17, which is a decrease of 10%, and a RY14 PPR Payment Reduction of \$300,000, its RY14 PPR Payment Reduction would be adjusted as follows:

$$\text{Adjusted Payment Reduction} = 1.17/1.30 \times \$300,000 = 90\% \times \$300,000 = \$270,000$$

**E. Maximum Adjustment to SPAD**

Notwithstanding Sections 8.1.C and 8.1.D, a Hospital's percentage reduction to its SPAD due to the Hospital's Excess PPR Volume shall be capped at 4.4%.

**F. Monitoring and future refinement of Actual PPR Volume**

To assist each Hospital in monitoring and improving performance in PPRs, and to refine future determinations of Actual PPR Rates for RFA15 and beyond, EOHHS will provide each Hospital with periodic reports of its Actual PPR Volume in subsequent time periods after calculating the Hospital's RY14 Actual PPR Volume.

In addition, each Hospital may identify within these same time periods those At-risk Admissions for which readmissions within 30 days are planned. EOHHS at its discretion will determine the means by which planned readmissions data will be collected and the methods by which such data will be incorporated into future year rate adjustments.

### **G. Impact on Per Diem Rates**

The adjustments to the SPAD specified in this **Section 8.1** shall not apply when calculating inpatient per diem rates for Hospitals; provided, however, that the adjustments to the SPAD apply when capping the transfer per diem rate at the Hospital-specific SPAD.

## **8.2 Provider Preventable Conditions**

### **A. Introduction**

Under Section 2702 of the Patient Protection and Affordable Care Act (Pub. L. 111.-148) (the ACA), and corresponding federal regulations at 42 C.F.R. 447.26, Hospitals must report “provider preventable conditions” to Medicaid agencies; and Medicaid agencies are prohibited from paying Hospitals for services resulting from a “provider preventable condition” in violation of the federal requirements. EOHHS has implemented policies that conform to the federal requirements. The following provisions and payment methods governing “provider preventable conditions” apply to the Hospital, and the Hospital must comply with such provisions.

As part of the MassHealth “provider preventable condition” policy, certain of the “serious reportable events” designated by the Massachusetts Department of Public Health (DPH) pursuant to its regulations at 105 CMR 130.332, as they pertain to MassHealth members, shall be excepted from the requirement that the Hospital shall not charge or seek reimbursement for the event, as described in **Section 8.3**, below. The excepted “serious reportable events” are any “serious reportable events” designated by DPH pursuant to its regulations at 105 CMR 130.332 which are not identified in *Appendix U* of the Hospital’s Acute Inpatient Hospital and Acute Outpatient Hospital MassHealth provider manuals. The Hospital shall bill and report, and related payment adjustments shall be made for, these excepted “serious reportable events” as “provider preventable conditions” in accordance with this **Section 8.2** governing Provider Preventable Conditions. The Hospital also shall continue to perform the documented review process and determination for these events, as further described in **Section 8.2.F**, below, solely for the purposes of reporting to DPH. The remaining “serious reportable events” identified in *Appendix U* of the Hospital’s Acute Inpatient Hospital and Acute Outpatient Hospital MassHealth provider manuals shall be governed entirely by the Serious Reportable Events provisions in **Section 8.3**, below.

## B. Definitions

The following definitions apply to this **Section 8.2**:

1. Provider Preventable Condition (PPC) -- a condition that meets the definition of a “Health Care Acquired Condition” or an “Other Provider Preventable Condition” as defined by CMS in federal regulations at 42 C.F.R. 447.26(b).
2. Health Care Acquired Conditions (HCACs) – conditions occurring in an inpatient hospital setting, which Medicare designates as hospital-acquired conditions (HACs) pursuant to Section 1886(d)(4)(D)(iv) of the Social Security Act (SSA) (as described in Section 1886(d)(4)(D)(ii) and (iv) of the SSA), with the exception of deep vein thrombosis (DVT)/pulmonary embolism (PE) as related to total knee replacement or hip replacement surgery in pediatric and obstetric patients.
3. Other Provider Preventable Condition (OPPC)—a condition that meets the requirements of an “Other Provider Preventable Condition” pursuant to 42 C.F.R. 447.26(b). OPPCs may occur in any health care setting and are divided into two sub-categories:
  - a) National Coverage Determinations (NCDs) – The NCDs are mandatory OPPCs under 42 C.F.R. 447.26(b) and consist of the following:
    - A. Wrong surgical or other invasive procedure performed on a patient;
    - B. Surgical or other invasive procedure performed on the wrong body part;
    - C. Surgical or other invasive procedure performed on the wrong patient.For each of A. through C., above, the term “surgical or other invasive procedure” is as defined in CMS Medicare guidance on NCDs.
  - b) Additional Other Provider Preventable Condition (Additional OPPCs) – Additional OPPCs are state-defined OPPCs that meet the requirements of 42 C.F.R. 447.26(b). EOHHS has designated certain conditions as Additional OPPCs.

## C. Hospital Reporting of PPCs to EOHHS

1. *Appendix V* of the Hospital’s Acute Inpatient Hospital and Acute Outpatient Hospital MassHealth provider manuals identifies those PPCs that apply to the Hospital for inpatient and outpatient hospital services and hospital-based physician services, respectively. EOHHS may also provide this information to Hospitals through provider bulletins, or other written statements of policy, and all such documentation, including without limitation *Appendix V*, may be amended from time to time.
2. Hospitals must report the occurrence of a PPC and PPC-related services through MMIS claims submissions to MassHealth. Hospital reporting of PPCs, and related claims submissions, must be conducted in accordance with applicable MassHealth regulations, provider manuals and billing instructions, including without limitation as set forth in

*Appendix V* of the MassHealth Acute Inpatient Hospital and Acute Outpatient Hospital provider manual, respectively. EOHHS may also provide such instructions through provider bulletins, or other written statements of policy, and all such documentation, including without limitation, *Appendix V*, may be amended from time to time.

3. In accordance with state and federal statutes, rules, and regulations governing the MassHealth program, including but not limited to 130 CMR 415.000 *et seq.* (Acute Inpatient Hospitals); 130 CMR 410.000 *et seq.* (Acute Outpatient Hospitals) and 130 CMR 450.000, *et seq.* (administrative and billing instructions), EOHHS may request additional information from the Hospital which EOHHS deems necessary to facilitate its review of any PPC or to carry out payment, provider enrollment, quality or other routine functions of the MassHealth program, and the Hospital must comply with the request. EOHHS may use this information, as well as the reports provided pursuant to **Section 8.2.F**, in reviewing any PPC, and in applying any payment adjustment as set forth in **Section 8.2.D**, below.

#### **D. Payment Adjustments to Hospitals for Provider Preventable Conditions**

1. **Inpatient Hospital Services** – For inpatient hospital services, when a Hospital reports a PPC that the Hospital indicates was not present on admission, EOHHS will reduce payments to the Hospital as follows:
  - a. **SPAD**. For inpatient services for which the Hospital would otherwise be paid a SPAD:
    - i. MassHealth will not pay the SPAD if the Hospital reports that only PPC-related services were delivered during the first 20 days of the inpatient admission, and will exclude all reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.
    - ii. MassHealth will pay the SPAD if the Hospital reports that non-PPC related services were also delivered during the first 20 days of the inpatient admission, but will exclude all reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.
  - b. **Psychiatric, Rehabilitation, Administrative Day, Outlier or Transfer Per Diem payments**. For inpatient services for which the Hospital would otherwise be paid a per diem:
    - i. MassHealth will not pay the per diem if the Hospital reports that only PPC-related services were delivered on that day, and will exclude all reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.
    - ii. MassHealth will pay the per diem if the Hospital reports that non-PPC related services were also delivered on that day, but will exclude all reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.

- c. Inpatient Hospital Payments for Hospital-Based Physician Services: MassHealth will not pay for inpatient Hospital-based physician services reported as PPC-related services.
  - d. Follow-up Care in Same Hospital: If a hospital reports that it provided follow-up inpatient hospital services that were solely the result of a previous PPC (inpatient or outpatient) that occurred while the member was being cared for at a facility covered under the same hospital license, MassHealth will not pay for the reported follow-up services. If the Hospital reports that non-PPC-related services were provided during the follow-up stay, payment will be made, but MassHealth will exclude all reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.
- 2. Outpatient Hospital Services** – For outpatient hospital services, when a Hospital reports that a PPC occurred during treatment at the Hospital (including its satellite clinics), MassHealth will reduce payments to the Hospital as follows:
- a. PAPE. For outpatient services for which the Hospital would otherwise be paid the PAPE:
    - i. MassHealth will not pay the PAPE if the Hospital reports that only PPC-related services were delivered during the episode of care, and will exclude all reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.
    - ii. MassHealth will pay the PAPE if the Hospital reports that non-PPC related services were also delivered during the same episode of care, but will exclude all reported PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.
  - b. Outpatient Hospital Payments for Hospital-Based Physician Services: MassHealth will not pay for outpatient Hospital-based physician services reported as PPC-related services.
  - c. Follow-Up Care in Same Hospital: If a Hospital reports that it provided follow-up outpatient hospital services that were solely the result of a previous PPC (inpatient or outpatient) that occurred while the member was being cared for at a facility covered under the same hospital license, MassHealth will not pay for the reported follow-up services. If the hospital reports that non-PPC-related services were provided during the follow-up episode of care, payment will be made, but MassHealth will exclude all PPC-related costs/services when determining future year payment rates that are calculated using a data source that would otherwise include the PPC.
- 3.** For each of subsection **D.1** and **D.2**, above, the PPC non-payment provisions also apply to third-party liability and crossover payments by MassHealth.
- 4.** Hospitals are prohibited from charging members for PPCs and PPC-related services, including without limitation co-payments or deductibles. Hospitals are also prohibited from

seeking reimbursement for identified PPC-related services through the Health Safety Net (HSN) or otherwise, and from including such services in any unreimbursed cost reporting.

5. In the event that individual cases are identified throughout the MassHealth PPC implementation period, EOHHS may adjust reimbursement according to the methodology above.

#### **E. Additional Requirements**

The Hospital agrees to take such action as is necessary in order for EOHHS to comply with all federal and state laws, regulations, and policy guidance relating to the reporting and non-payment of provider preventable conditions, including, without limitation, Section 2702 of the ACA. In addition, should EOHHS, in its sole discretion, deem it necessary to further amend this RFA and Contract to implement any such laws, the Hospital agrees that, notwithstanding any other provision in this RFA and Contract, EOHHS may terminate the Hospital's Contract immediately upon written notice in the event the Hospital fails to agree to any such amendment.

#### **F. Reporting to the Massachusetts Department of Public Health**

In addition to complying with **Sections 8.2.A** through **E**, above, for any PPC that is also a "serious reportable event (SRE)" as designated by the Massachusetts Department of Public Health (DPH) pursuant to its regulations at 105 CMR 130.332, the Hospital must also continue to report the occurrence of the PPC as an SRE to DPH, and perform the documented review process as set forth in and in accordance with DPH regulations at 105 CMR 130.332(B) and (C). The Hospital must also provide copies of such reports to EOHHS and any other responsible third-party payer and inform the patient as required by and in accordance with DPH regulations at 105 CMR 130.332(B) and (C). The copies to MassHealth must be sent to:

PPC/Serious Reportable Event Coordinator  
MassHealth  
Utilization Management Department  
100 Hancock Street, 6<sup>th</sup> Floor  
Quincy, MA 02171

Notwithstanding such reporting and documented review process as set forth in 105 CMR 130.332(B) and (C), provider claims to MassHealth and related payment methods for PPCs, including without limitation, those that also constitute a DPH-designated SRE, are governed by this **Section 8.2** and not **Section 8.3**, below.

### **8.3 Serious Reportable Events**

#### **A. Applicability**

1. "Serious Reportable Events (SREs)" for purposes of this **Section 8.3** shall mean those serious reportable events (SREs) listed in *Appendix U* of the Hospital's Acute Inpatient

Hospital and Acute Outpatient Hospital MassHealth provider manuals. All references to SREs in **Sections 8.3.B** through **8.3.D**, below, are subject to this **Section 8.3.A**.

From time to time, EOHHS may update the list of SREs that are subject to this **Section 8.3** through issuing provider bulletins or updates to provider manuals, or through other written statements of policy.

2. For purposes of this section, “preventable” is defined as DPH has defined the term in its regulations at 105 CMR 130.332 and means events that could have been avoided by proper adherence to applicable patient safety guidelines, best practices, and hospital policies and procedures.

## **B. Scope of Non-Reimbursable Services**

1. MassHealth’s SRE policy applies to both Hospitals and Hospital-Based Physicians.
2. Hospitals are prohibited from charging or seeking reimbursement from MassHealth or the member for Hospital and Hospital-Based Physician services that are made necessary by, or are provided as a result of, an SRE occurring on premises covered by the hospital’s license that was preventable, within the hospital’s control, and unambiguously the result of a system failure, as described in DPH regulations (“preventable SRE”). Non-reimbursable Hospital and Hospital-based physician services include:
  - a. All services provided during the inpatient admission or outpatient visit during which a preventable SRE occurred; and
  - b. All services provided during readmissions and follow-up outpatient visits as a result of a non-billable SRE provided:
    - (1) At a facility under the same license as the hospital at which a non-billable SRE occurred; or
    - (2) On the premises of a separately licensed hospital or ambulatory surgery center with common ownership or a common corporate parent of the hospital at which a non-billable SRE occurred.
  - c. Charges for services, including co-payments or deductibles, deemed non-billable to MassHealth are not billable to the member.
  - d. The non-payment provision of this RFA also applies to third-party liability and/or crossover payments by MassHealth.
  - e. A Hospital not involved in the occurrence of a preventable SRE that also does not meet the criteria in **Section 8.3.B.2.b**, and that provides inpatient or outpatient services to a patient who previously incurred an SRE, may bill MassHealth for all medically necessary Hospital and Hospital-Based Physician services provided to the patient following a preventable SRE.

### C. Required Reporting and Preventability Determination

1. In accordance with DPH regulations at 105 CMR 130.332(B) and (C), as may be amended, Hospitals must (i) timely report the occurrence of an SRE to DPH and provide copies of the report to required parties, as specified in such regulations, (ii) establish policies for making and documenting preventability determinations following the occurrence of an SRE, (iii) timely make preventability determinations for all SREs occurring on premises covered by the Hospital's license, and (iv) timely submit the preventability determination report to DPH ("updated SRE report"), with copies to all other required parties, as specified in such regulations.
2. A Hospital shall notify the MassHealth program of the occurrence of an SRE by mailing a copy of the report as filed with DPH pursuant to **Section 8.3.C.1** to:

Serious Reportable Event Coordinator  
MassHealth  
Utilization Management Department  
100 Hancock Street, 6<sup>th</sup> Floor  
Quincy, MA 02171

Hospitals shall also use this address to send MassHealth a copy of the updated SRE report as submitted to DPH containing the information as specified under DPH regulations at 105 CMR 130.332.

3. No later than thirty days after the date of initial reporting of the SRE to DPH and MassHealth, if upon completing a preventability determination following the occurrence of an SRE pursuant to **Section 8.3.C.1**, above, the Hospital seeks payment for Inpatient Services or Outpatient Services to a MassHealth member, the Hospital shall submit the following required documentation to MassHealth, using the address set forth in **Section 8.3.C.2**, above, so it can review the circumstances of the SRE;
  - (1) A copy of the updated SRE report issued to DPH describing the hospital's preventability determination including, at a minimum, the following:
    - (a) Narrative description of the SRE;
    - (b) Analysis and identification of the root cause of the SRE;
    - (c) Analysis of the preventability criteria required by DPH;
    - (d) Description of any corrective measures taken by the hospital following discovery of the SRE; and
    - (e) Whether the hospital intends to charge or seek reimbursement from MassHealth for services provided at the hospital as a result of the SRE;
  - (2) Copies of the hospital policies and procedures related to SREs;
  - (3) A copy of the member's medical record for the inpatient Hospital admission or outpatient episode of care during which the SRE occurred, if the Hospital intends to charge or seek reimbursement for services provided at the Hospital during such admission or episode of care, or for follow-up care as a result of the SRE.

**D. Non-Payment for SREs**

1. MassHealth will review the circumstances of the SRE and shall make a determination regarding payment based on the criteria set forth in DPH regulations at 105 CMR 130.332 and above, and utilizing **Table 8-1**, below:

**Table 8-1. MassHealth Non-Payment Methodology, Acute Hospitals**

<b>Payment Component that includes Preventable SRE</b>	<b>Resulting Non-payment</b>
Inpatient acute admission	Non-payment of SPAD
Inpatient - Outlier Per Diem, Transfer Per Diem, Psychiatric Per Diem, or Acute Rehab Per Diem	Non-payment of all per diems associated with the inpatient stay
Outpatient Hospital Services	Non-payment of PAPE and any other outpatient services payable under the RFA
Hospital-Based Physician services	Non-payment of physician fees for care associated with the SRE

2. In accordance with state and federal statutes, rules, and regulations governing the MassHealth program, including but not limited to 130 CMR 415.000 *et seq.* (Acute Inpatient Hospitals); 130 CMR 410.000 *et seq.* (Acute Outpatient Hospitals) and 130 CMR 450.000, *et seq.* (administrative and billing instructions), EOHHS may request additional information from the Hospital which EOHHS deems necessary to facilitate its review of any SRE or to carry out payment, quality or other routine functions of the MassHealth program, and the Hospital must comply with the request.

**Public Notice**  
**RY 14 Acute Hospital Inpatient Rates**  
**Effective 10/1/13**

Acute Hospital Inpatient Rates-HRY14-RFA14 Effective October 1, 2013  Hospital	Rate Code 25 UB92=X1 Standard Payment Amt per Discharge	Rate Code 61 UB92=X5 Standard Transfer Payment Amt	Rate Code 28 UB92=X3 Standard Outlier Payment Amt	Rate Code 90 UB92=Y4 Mental Health Payment Amt	Rate Code 27 UB92=X1 Standard Payment Amt per Discharge	Rate Code 63 UB92=X5 Standard Transfer Payment Amt	Rate Code 29 UB92=X3 Standard Outlier Payment Amt	Rate Code 84 UB92=Y1 MassHealth w/Medicare B AD payment Amt	Rate Code 85 UB92=Y2 MassHealth Only AD payment Amt	Rate Code 71  Rehab Per Diem
ANNA JAUQUES HOSPITAL	\$ 6,362.74	\$ 1,484.70	\$ 1,113.53	\$856.05				\$258.90	\$279.97	
ATHOL HOSPITAL **	\$ 16,647.88	\$ 3,862.62	\$ 2,896.96	not applicable				\$258.90	\$279.97	
BAYSTATE MED. CTR.	\$ 9,467.20	\$ 2,149.78	\$ 1,612.34	\$856.05				\$258.90	\$279.97	
BERKSHIRE MED. CTR.	\$ 7,233.61	\$ 1,666.26	\$ 1,249.69	\$856.05				\$258.90	\$279.97	\$ 741.89
BETH ISRAEL DEAC-NEEDHAM CAMPUS	\$ 6,194.78	\$ 1,498.64	\$ 1,123.98	not applicable				\$258.90	\$279.97	
BETH ISRAEL DEACONESS MED CTR	\$ 10,605.77	\$ 2,413.03	\$ 1,809.77	\$856.05				\$258.90	\$279.97	
BEVERLY HOSPITAL	\$ 5,529.81	\$ 1,278.02	\$ 958.52	\$856.05				\$258.90	\$279.97	
BOSTON MEDICAL CENTER	\$ 9,143.67	\$ 2,084.55	\$ 1,563.41	not applicable				\$258.90	\$279.97	
BRIGHAM & WOMEN'S HOSPITAL	\$ 9,809.60	\$ 2,206.69	\$ 1,655.02	not applicable				\$258.90	\$279.97	
BROCKTON HOSPITAL	\$ 5,879.14	\$ 1,377.50	\$ 1,033.12	\$856.05				\$258.90	\$279.97	
CAMBRIDGE HEALTH ALLIANCE	\$ 5,569.43	\$ 1,293.85	\$ 970.39	\$856.05				\$258.90	\$279.97	
CAPE COD HOSPITAL	\$ 7,136.28	\$ 1,644.19	\$ 1,233.14	\$856.05				\$258.90	\$279.97	
CARNEY HOSPITAL	\$ 7,551.23	\$ 1,837.82	\$ 1,378.37	\$856.05				\$258.90	\$279.97	
CHILDREN'S MEDICAL CENTER	\$ 16,452.65	\$ 3,648.26	\$ 2,736.19	\$856.05	\$16,452.65	\$3,648.26	\$2,736.19	\$258.90	\$279.97	
CLINTON HOSPITAL	\$ 6,505.97	\$ 1,493.24	\$ 1,119.93	\$856.05				\$258.90	\$279.97	
COOLEY-DICKINSON HOSPITAL	\$ 5,537.37	\$ 1,309.02	\$ 981.77	\$856.05				\$258.90	\$279.97	
DANA FARBER	\$ 18,467.40	\$ 4,126.92	\$ 3,095.19	not applicable				\$258.90	\$279.97	
EMERSON HOSPITAL	\$ 6,218.42	\$ 1,431.65	\$ 1,073.74	\$856.05				\$258.90	\$279.97	
FAIRVIEW HOSPITAL **	\$ 12,411.34	\$ 2,879.66	\$ 2,159.75	not applicable				\$258.90	\$279.97	
FALMOUTH HOSPITAL	\$ 6,704.15	\$ 1,576.86	\$ 1,182.65	not applicable				\$258.90	\$279.97	
FAULKNER HOSPITAL	\$ 7,204.67	\$ 1,718.66	\$ 1,289.00	\$856.05				\$258.90	\$279.97	
FRANKLIN MED CTR	\$ 5,091.80	\$ 1,180.55	\$ 885.41	\$856.05				\$258.90	\$279.97	
GOOD SAMARITAN MED CTR	\$ 6,181.91	\$ 1,449.31	\$ 1,086.99	\$856.05				\$258.90	\$279.97	
HALLMARK HEALTH	\$ 6,707.49	\$ 1,552.41	\$ 1,164.30	\$856.05				\$258.90	\$279.97	

**Public Notice**  
**RY 14 Acute Hospital Inpatient Rates**  
**Effective 10/1/13**

Acute Hospital Inpatient Rates-HRY14-RFA14 Effective October 1, 2013  Hospital	Rate Code 25 UB92=X1 Standard Payment Amt per Discharge	Rate Code 61 UB92=X5 Standard Transfer Payment Amt	Rate Code 28 UB92=X3 Standard Outlier Payment Amt	Rate Code 90 UB92=Y4 Mental Health Payment Amt	Rate Code 27 UB92=X1 Standard Payment Amt per Discharge	Rate Code 63 UB92=X5 Standard Transfer Payment Amt	Rate Code 29 UB92=X3 Standard Outlier Payment Amt	Rate Code 84 UB92=Y1 MassHealth w/Medicare B AD payment Amt	Rate Code 85 UB92=Y2 MassHealth Only AD payment Amt	Rate Code 71  Rehab Per Diem
HARRINGTON MEM'L HOSPITAL	\$ 5,627.22	\$ 1,313.44	\$ 985.08	\$856.05				\$258.90	\$279.97	
HEALTH ALLIANCE	\$ 5,342.24	\$ 1,262.46	\$ 946.84					\$258.90	\$279.97	
HENRY HEYWOOD HOSPITAL	\$ 5,618.09	\$ 1,304.18	\$ 978.14	\$856.05				\$258.90	\$279.97	
HOLY FAMILY HOSPITAL	\$ 6,259.71	\$ 1,449.57	\$ 1,087.18	\$856.05				\$258.90	\$279.97	
HOLYOKE HOSPITAL	\$ 7,041.91	\$ 1,615.73	\$ 1,211.80	\$856.05				\$258.90	\$279.97	
JORDAN HOSPITAL	\$ 6,971.79	\$ 1,595.73	\$ 1,196.80	not applicable				\$258.90	\$279.97	
LAHEY CLINIC	\$ 16,009.42	\$ 3,627.10	\$ 2,720.32	not applicable				\$258.90	\$279.97	
LAWRENCE GENERAL HOSPITAL	\$ 5,851.25	\$ 1,373.54	\$ 1,030.15	not applicable				\$258.90	\$279.97	
LOWELL GENERAL HOSPITAL	\$ 6,358.87	\$ 1,488.52	\$ 1,116.39	not applicable				\$258.90	\$279.97	
MARLBOROUGH HOSPITAL	\$ 8,523.28	\$ 1,969.49	\$ 1,477.12	\$856.05				\$258.90	\$279.97	
MARTHA'S VINEYARD HOSPITAL **	\$ 12,473.94	\$ 2,894.19	\$ 2,170.64	not applicable				\$258.90	\$279.97	
MARY LANE HOSPITAL	\$ 7,311.86	\$ 1,699.22	\$ 1,274.42	not applicable				\$258.90	\$279.97	
MASS. EYE & EAR INFIRMARY	\$ 13,137.93	\$ 2,980.63	\$ 2,235.47	not applicable				\$258.90	\$279.97	
MASS. GENERAL HOSPITAL	\$ 11,543.79	\$ 2,552.81	\$ 1,914.61	\$856.05				\$258.90	\$279.97	
MERCY HOSPITAL	\$ 6,604.68	\$ 1,517.81	\$ 1,138.36	\$856.05				\$258.90	\$279.97	\$ 741.89
MERRIMACK VALLEY HOSPITAL	\$ 7,819.15	\$ 1,803.59	\$ 1,352.69	\$856.05				\$258.90	\$279.97	
METROWEST MED CTR	\$ 5,953.88	\$ 1,398.31	\$ 1,048.73	\$856.05				\$258.90	\$279.97	
MILFORD REGIONAL MEDICAL CENTER	\$ 4,865.61	\$ 1,130.54	\$ 847.91	not applicable				\$258.90	\$279.97	
MILTON HOSPITAL	\$ 6,835.32	\$ 1,582.11	\$ 1,186.58	not applicable				\$258.90	\$279.97	
MORTON HOSPITAL	\$ 6,238.39	\$ 1,439.79	\$ 1,079.84	\$856.05				\$258.90	\$279.97	
MOUNT AUBURN HOSPITAL	\$ 5,521.16	\$ 1,284.91	\$ 963.68	\$856.05				\$258.90	\$279.97	
NANTUCKET COTTAGE HOSPITAL	\$ 3,295.21	\$ 777.33	\$ 583.00	not applicable				\$258.90	\$279.97	
NASHOBA VALLEY MED CTR	\$ 7,226.25	\$ 1,757.82	\$ 1,318.36	not applicable				\$258.90	\$279.97	
NEW ENGLAND BAPTIST HOSPITAL	\$ 16,302.29	\$ 3,766.82	\$ 2,825.11	not applicable				\$258.90	\$279.97	

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**RY 14 Acute Hospital Inpatient Rates**  
**Effective 10/1/13**

Acute Hospital Inpatient Rates-HRY14-RFA14 Effective October 1, 2013  Hospital	Rate Code 25 UB92=X1 Standard Payment Amt per Discharge	Rate Code 61 UB92=X5 Standard Transfer Payment Amt	Rate Code 28 UB92=X3 Standard Outlier Payment Amt	Rate Code 90 UB92=Y4 Mental Health Payment Amt	Rate Code 27 UB92=X1 Standard Payment Amt per Discharge	Rate Code 63 UB92=X5 Standard Transfer Payment Amt	Rate Code 29 UB92=X3 Standard Outlier Payment Amt	Rate Code 84 UB92=Y1 MassHealth w/Medicare B AD payment Amt	Rate Code 85 UB92=Y2 MassHealth Only AD payment Amt	Rate Code 71  Rehab Per Diem
TUFTS MEDICAL CTR	\$ 12,343.48	\$ 2,819.48	\$ 2,114.61	\$856.05				\$258.90	\$279.97	
TUFTS MEDICAL CTR-Pediatric				\$856.05	\$ 16,707.44	\$ 3,668.88	\$ 2,751.66	\$258.90	\$279.97	
NEWTON-WELLESLEY HOSPITAL	\$ 6,063.48	\$ 1,406.61	\$ 1,054.96	\$856.05				\$258.90	\$279.97	
NOBLE HOSPITAL	\$ 6,176.27	\$ 1,431.17	\$ 1,073.38	\$856.05				\$258.90	\$279.97	\$ 741.89
NORTH ADAMS HOSPITAL	\$ 5,682.46	\$ 1,330.84	\$ 998.13	\$856.05				\$258.90	\$279.97	
NORTH SHORE MEDICAL CENTER	\$ 6,905.57	\$ 1,593.01	\$ 1,194.76	\$856.05				\$258.90	\$279.97	
NORWOOD HOSPITAL	\$ 6,186.57	\$ 1,433.06	\$ 1,074.79	\$856.05				\$258.90	\$279.97	
QUINCY MEDICAL CENTER	\$ 7,984.61	\$ 1,838.49	\$ 1,378.87	\$856.05				\$258.90	\$279.97	
Shriners-Boston	\$ 20,100.09	\$ 4,285.35	\$ 3,214.01	not applicable				\$258.90	\$279.97	
Shriners-Springfield	\$ 12,727.92	\$ 2,773.62	\$ 2,080.21	not applicable				\$258.90	\$279.97	
SOUTH SHORE HOSPITAL	\$ 7,019.59	\$ 1,646.85	\$ 1,235.14	not applicable				\$258.90	\$279.97	
SOUTHCOAST	\$ 6,512.05	\$ 1,522.38	\$ 1,141.79	\$856.05				\$258.90	\$279.97	\$ 741.89
ST. ANNE'S OF F.R. HOSPITAL	\$ 7,504.23	\$ 1,808.30	\$ 1,356.22	\$856.05				\$258.90	\$279.97	
ST. ELIZABETH'S HOSPITAL	\$ 9,278.46	\$ 2,160.56	\$ 1,620.42	\$856.05				\$258.90	\$279.97	
ST. VINCENT'S HOSPITAL	\$ 7,182.32	\$ 1,678.84	\$ 1,259.13	\$856.05				\$258.90	\$279.97	
STURDY MEMORIAL HOSPITAL	\$ 6,519.61	\$ 1,499.16	\$ 1,124.37	not applicable				\$258.90	\$279.97	
UMASS MEMORIAL MED. CTR.	\$ 10,805.50	\$ 2,441.55	\$ 1,831.16	\$856.05				\$258.90	\$279.97	
WINCHESTER HOSPITAL	\$ 5,709.79	\$ 1,324.90	\$ 993.67	not applicable				\$258.90	\$279.97	
WING MEMORIAL HOSPITAL	\$ 6,418.16	\$ 1,483.19	\$ 1,112.39	\$856.05				\$258.90	\$279.97	

\*\* For Critical Access Hospitals – subject to reconciliation.

## Public Notice

### Payment Amount per Episode (PAPE) Rates –RY14 Effective 10/01/13

<b>PROVIDER NAME</b>	<b>PAPE HRY 2014</b>
ANNA JACQUES HOSPITAL	\$299.19
ATHOL MEMORIAL HOSPITAL **	\$477.60
BAYSTATE MEDICAL CENTER INC	\$291.65
BERKSHIRE MEDICAL CENTER	\$403.09
BETH ISRAEL DEAC HOSP-NEEDHAM	\$416.36
BETH ISRAEL DEACONESS MED CENTER	\$355.77
BOSTON_MEDICAL_CENTER	\$255.54
BRIGHAM WOMEN'S HOSPITAL	\$287.86
BROCKTON HOSPITAL	\$331.31
CAMBRIDGE HEALTH ALLIANCE	\$251.86
CAPE COD HOSPITAL	\$349.43
CARNEY HOSPITAL	\$283.65
CHILDRENS HOSPITAL	\$442.10
CLINTON HOSPITAL	\$230.68
COOLEY DICKINSON HOSPITAL	\$332.99
DANA FARBER CANCER INSTITUTE	\$1,420.19
EMERSON HOSPITAL	\$289.54
FAIRVIEW HOSPITAL **	\$645.32
FALMOUTH HOSPITAL	\$329.15
FAULKNER HOSPITAL	\$379.77
FRANKLIN MEDICAL CENTER	\$309.39
GOOD SAMARITAN MEDICAL CENTER	\$389.73
HALLMARK HEALTH	\$320.34
HARRINGTON MEMORIAL HOSPITAL	\$286.89
HEALTH ALLIANCE HOSPITALS	\$260.97
HEYWOOD HOSPITAL	\$277.21
HOLY FAMILY HOSPITAL	\$311.20
HOLYOKE HOSPITAL	\$331.51
JORDAN HOSPITAL	\$347.09
LAHEY CLINIC HOSPITAL INC	\$388.19
LAWRENCE GENERAL HOSPITAL	\$331.42
LOWELL GENERAL HOSPITAL	\$418.45
MARLBOROUGH HOSPITAL	\$266.17
MARTHAS VINEYARD HOSPITAL **	\$677.43
MARY LANE HOSPITAL	\$287.16
MASS EYE EAR_INFIRMARY	\$436.57
MASS GENERAL HOSPITAL	\$305.62
MERCY HOSPITAL	\$276.71
MERRIMACK VALLEY HOSPITAL	\$330.95

## Public Notice

<b>PROVIDER NAME</b>	<b>PAPE HRY 2014</b>
METROWEST MEDICAL CENTER	\$260.04
MILFORD REGIONAL MEDICAL CENTER	\$304.47
MILTON HOSPITAL	\$308.31
MORTON HOSPITAL	\$283.02
MOUNT AUBURN HOSPITAL	\$376.41
NANTUCKET COTTAGE HOSPITAL	\$227.06
NASHOBA VALLEY MEDICAL CENTER	\$310.34
NEW ENGLAND BAPTIST HOSPITAL	\$389.56
NEWTON WELLESLEY HOSPITAL	\$261.38
NOBLE HOSPITAL	\$268.55
NORTH ADAMS REGIONAL HOSPITAL	\$307.13
NORTH SHORE MEDICAL CENTER	\$354.26
NORTHEAST BEVERLY HOSPITAL	\$300.30
NORWOOD HOSPITAL	\$360.47
QUINCY MEDICAL CENTER	\$324.19
SAINT VINCENT HOSPITAL	\$340.69
SHRINERS HOSPITAL-BOSTON	\$291.65
SHRINERS HOSPITAL-SPRINGFIELD	\$291.65
SOUTH SHORE HOSPITAL	\$350.97
SOUTHCOAST HOSPITALS GROUP	\$324.82
ST ANNE'S HOSPITAL	\$341.73
ST ELIZABETH'S HOSPITAL	\$486.13
STURDY MEMORIAL HOSPITAL	\$307.60
TUFTS MEDICAL CENTER	\$287.05
UMASS MEMORIAL MEDICAL CTR	\$280.83
WINCHESTER HOSPITAL	\$296.95
WING MEMORIAL HOSPITAL	\$216.65