



The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Office of Medicaid
One Ashburton Place
Boston, Massachusetts 02108



CHARLES D. BAKER
Governor

KARYN E. POLITO
Lieutenant Governor

MARYLOU SUDDERS
Secretary

www.mass.gov/eohhs

NOTICE OF PROPOSED AGENCY ACTION

SUBJECT: MassHealth: Payment for Chronic Disease and Rehabilitation Hospital Services effective October 1, 2015

AGENCY: Massachusetts Executive Office of Health and Human Services

SUMMARY OF PROPOSED ACTION

Pursuant to the provisions of M.G.L. c. 118E, §13A, rates and terms of payment for services rendered by chronic disease and rehabilitation hospitals to patients entitled to medical assistance under M.G.L. c. 118E, §1 *et seq.* are established by contract between the MassHealth program and participating hospitals. This notice describes the proposed methods and standards for the establishment of rates of payment by contract for rate year (RY) 2016 which begins October 1, 2015, between the Executive Office of Health and Human Services (EOHHS) and participating chronic disease and rehabilitation hospitals.

DESCRIPTION OF PROPOSED METHODS AND STANDARDS

EOHHS proposes to establish a comprehensive inpatient per diem rate for each participating hospital, covering both routine and ancillary services provided to inpatients. EOHHS proposes to derive the inpatient per diem rate from the 2003 operating and capital cost information for each hospital. The operating costs will be updated from fiscal year 2003 using a composite index comprised of two cost categories: Labor and Non-labor. These categories shall be weighted according to the weights used by the Center for Medicare and Medicaid Services (CMS) for Prospective Payment System (PPS)-excluded hospitals. The inflation proxy for the labor cost category shall be the Massachusetts Consumer Price Index. The inflation proxy for the non-labor cost category will be the non-labor portion of the CMS market basket for hospitals. The 2015-2016 update factor will be 0.00%. The CMS Capital Input Price Index will be used in computing an allowance for inpatient capital, which is derived from fiscal year 2003 patient care capital expenditure data. An individual efficiency standard is applied to inpatient overhead costs. The efficiency standard is the median base year unit cost.

EOHHS also proposes to pay chronic disease and rehabilitation hospitals located in the Commonwealth that serve solely children and adolescents with complex acute rehabilitation and chronic needs, in accordance with Section 271 of Chapter 224 of the Acts of 2012.

The MassHealth program proposes to establish a rate for administrative days (AD). The AD rate will be comprised of a routine per diem and an ancillary add-on. The routine per diem will be derived from the weighted average Medicaid rate in calendar year 2003 for nursing facility case mix category T (10). The weighted average ancillary add-on will be derived from hospital ancillary claims data for AD patients in hospital fiscal year (HFY)



2003. For each participating hospital, the AD rate will be supplemented by an adjustment that will increase the AD rate to equal 64% of the difference between each hospital's rate year inpatient per diem rate and the statewide AD routine and ancillary per diem amount of \$513.05.

The MassHealth program proposes to utilize a hospital-specific cost-to-charge ratio for outpatient services that is derived from historical cost and charge information. The cost-to charge ratio will be applied to the hospital's usual and customary charges on file with the Center for Health Information and Analysis (CHIA) as of July 1, 2014 for outpatient services.

The methods and standards described herein are being proposed in order to establish rates by contract that accurately reflect the efficient and economic provision of chronic disease services and/or comprehensive rehabilitation services. The proposed methods and standards described herein maintain the existing rates with no additional update factor for 2015-2016, and are therefore projected to result in a 0.00% increase in annual aggregate expenditures in RY 2016. The actual change in aggregate expenditures is estimated to be \$0.00 but may vary depending on actual utilization of services.

Included with this notice are the proposed rates of payment, effective October 1, 2015. Please contact Thomas Lane, MassHealth Office of Long Term Services and Supports, One Ashburton Place, 5th Floor, Boston, MA 02108, to send any written comments regarding this notice. Copies of this notice detailing the proposed changes in payment methods and standards are also available in each county court law library in the Commonwealth.

STATUTORY AUTHORITY:

M.G.L. c.118E; 42 USC 1396

Related Regulations:

42 CFR Part 447

