

Notice of Final Agency Action – Additional Changes to RY18 Payment Methods

SUBJECT: MassHealth: Payment for Acute Hospital Services, effective March 1, 2018

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

EOHHS announces new payment methodologies that will apply to in-state acute hospitals for APAD Carve-Out Drugs and APEC Carve-Out Drugs (see below), effective beginning with the 2nd RY18 Period. For purposes of this Notice, the “2nd RY18 Period” refers to the portion of Rate Year 2018 (RY18), beginning March 1, 2018.

A. Changes to In-State Acute Inpatient Hospital Payment Methods

Effective with admissions in the 2nd RY18 Period, MassHealth payment to in-state acute inpatient hospitals for APAD Carve-Out Drugs used to treat Members during an acute inpatient hospital admission will no longer be pursuant to the Adjudicated Payment Amount per Discharge (APAD) and Outlier Payment methodologies. Instead, payment to acute inpatient hospitals for APAD Carve-Out Drugs will be the lowest of (1) the Hospital’s actual acquisition cost of the Drug,¹ (2) the Drug’s wholesale acquisition cost (WAC), and (3) if available, the Medicare Part B rate for the Drug, each as determined by EOHHS.

The list of “APAD Carve-Out Drugs” will be identified on the “MassHealth Acute Hospital Carve-Out Drugs List” of the MassHealth Drug List (MHDL), and may be updated from time to time. The MHDL is posted at <https://masshealthdruglist.ehs.state.ma.us/MHDL/welcome.do>.

B. Changes to In-State Acute Outpatient Hospital Payment Methods

Effective with dates of service in the 2nd RY18 Period, MassHealth payment to in-state acute outpatient hospitals for APEC Carve-Out Drugs used to treat Members during an outpatient hospital visit will no longer be pursuant to the Adjudicated Payment per Episode of Care (APEC) payment methodology. Instead, payment to in-state acute outpatient hospitals for APEC Carve-Out Drugs will be the lowest of (1) the Hospital’s actual acquisition cost of the Drug, (2) the Drug’s wholesale acquisition cost (WAC), and (3) if available, the Medicare Part B rate of the Drug, each as determined by EOHHS.

The list of “APEC Carve-Out Drugs” will be identified on the “MassHealth Acute Hospital Carve-Out Drugs List” of the MHDL, and may be updated from time to time. The MHDL is posted at <https://masshealthdruglist.ehs.state.ma.us/MHDL/welcome.do>.

All changes to the Hospital payment methods described in this Notice are in accordance with state and federal law and are within the range of reasonable payment levels to acute hospitals.

EOHHS estimates that annual aggregate expenditures for in-state MassHealth state plan acute inpatient and outpatient hospital services will decrease by approximately \$9.9M as a result of

¹ References to “Drugs” in this Notice refers to drugs and biologics (including, e.g., cell and gene therapies), or any other similar substance containing one or more active ingredients in a specified dosage form and strength. Each dosage form and strength is a separate Drug.

these changes (an estimated decrease of approximately 0.69% in overall estimated annual aggregate expenditures for in-state acute hospital services under the state plan).

Other than as set forth in this Notice, the RY18 MassHealth acute inpatient and outpatient payment methods described in the MassHealth RY18 Notice of Final Agency Action, published on or about September 28, 2017 (“Final RY18 Notice”) remain unchanged. The Final RY18 Notice is available under the heading “Acute Hospital Rate Year 2018 Notices” on the “Special Notices for Acute Hospitals” page of the MassHealth website at www.mass.gov/service-details/special-notices-for-acute-hospitals (see the document entitled “Notice of Final Agency Action: MassHealth Payment for In-State Acute Hospital Services and Out-of-State Acute Hospital Services, effective October 1, 2017.”) For further information regarding RY18 acute hospital payment methods and rates, you may contact Steven Sauter at the Executive Office of Health and Human Services, MassHealth Office of Providers and Plans, 100 Hancock Street, 6th Floor, Quincy, MA 02171, or by email at steven.sauter@state.ma.us.

Statutory Authority: M.G.L. c. 118E; St. 2017, c. 47; St. 2012, c. 224; 42 USC 1396a; 42 USC 1396b.

Related Regulations: 130 CMR 410, 415, 450; 42 CFR Parts 431 and 447.