

## **Table of Contents**

**State/Territory Name: MA**

**State Plan Amendment (SPA) #: 12-0013**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages



**AUG 07 2014**

John Polanowicz, Secretary  
Executive Office of Health and Human Services  
State of Massachusetts  
One Ashburton Place, Room 1109  
Boston, MA 02108

RE: Massachusetts 12-013

Dear Mr. Polanowicz:

We have reviewed the proposed amendment to Attachments 4.19-A, of your Medicaid State plan submitted under transmittal number (TN) 12-013. This amendment extends the rate year (RY) 2012 reimbursement methodology for inpatient acute hospital services to the first quarter of RY 2013. It also increases payments to critical access hospitals to 101% of costs from November 1, 2012 through April 30, 2013; provides for an enhanced payment to Pediatric Hospital Units and Specialty Hospitals with high case mix; and establishes a reimbursement method for two newly enrolled Shriners' Hospital for Children (Boston and Springfield).

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a) and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447. We are pleased to inform you that Medicaid State plan amendment 12-013 is approved effective October 1, 2012. We are enclosing the CMS-179 and the amended plan pages.

If you have any questions, please call Novena James-Hailey at (617) 565-1291.

Sincerely, .....

Cindy Mann  
Director

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE &amp; MEDICAID SERVICES</b>	1. TRANSMITTAL NUMBER:  <b>012-013</b>	2. STATE  <b>MA</b>
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE AND MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE  <b>10/01/12</b>	

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 U.S.C. 1396a(a)(13); 42 USC 1315; 42 CFR Part 447; 42 CFR  
440.10

7. FEDERAL BUDGET IMPACT\*:

a. FFY13 \$ 424,295  
b. FFY14 \$ 0

\* The Federal Budget Impact only reflects changes for this Rate  
Year 2012 Extension, beginning October 1, 2012 and ending  
December 31, 2012.

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

4.19-A (1), pp 1, 1a, 5  
4.19-A(1), Exhibit 1, pp. 1 - 3  
4.19-A(1), Exhibit 2, pp. 1 - 2  
4.19-A(1), Exhibit 3, pp. 1 - 2

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):

4.19-A (1), pp 1, 1a, 5

10. SUBJECT OF AMENDMENT:

**Acute Inpatient Hospital Rate Year 2012 Extension**

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT  
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED:  
Not required under  
42 CFR 430.12(b)(2)(ii)

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:  
**JudyAnn Bigby, M. D.**

14. TITLE:  
**Secretary**

15. DATE SUBMITTED:

16. RETURN TO:

**Michael P. Coleman  
State Plan Coordinator  
Office of Medicaid  
Executive Office of Health and Human Services  
One Ashburton Place, 11<sup>th</sup> Floor  
Boston, MA 02108**

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

18. DATE APPROVED: **AUG 07 2014**

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:

**OCT 01 2012**

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

**Penny Thompson**

22.

**Deputy Director, Policy & Finance / Nf. CMCs**

23. REMARKS:

State Plan Under Title XIX of the Social Security Act  
State: Massachusetts  
Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services  
Portion of Rate Year 2013 from October 1, 2012 through December 31, 2012

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**I. Introduction**

**A. Overview**

This attachment describes methods used to determine rates of payment for acute inpatient hospital services for the portion of RY13 from October 1, 2012 through December 31, 2012. (See TN-013-002 for the RY13 period January 1, 2013 to September 30, 2013)

1. Except as provided in subsections 2 through 4, below, the RY12 payment methodologies set forth in this Attachment continue to apply to:
  - RY13 admissions at in-state Acute Hospitals beginning on or after October 1, 2012 through December 31, 2012, and
  - inpatient payments made to in-state Acute Hospitals on a per diem basis for RY13 dates of service on or after October 1, 2012 through December 31, 2012.
2. For admissions in RY13 from October 1, 2012 through October 31, 2012, in-state Critical Access Hospitals will be paid in accordance with the RY12 payment methods for such hospitals set forth in this Attachment, and Exhibit 1 does not apply. In-state Critical Access Hospitals will be paid in accordance with the methods set forth in **Exhibit 1**, which is attached hereto and incorporated by reference into this Attachment, for inpatient admissions occurring in RY13 on or after November 1, 2012 through April 30, 2013 (see TN-013-002 for the RY13 period January 1, 2013 through April 30, 2013).
3. The two newly-enrolled in-state Hospitals with unique circumstances will be paid in accordance with the methods set forth in **Exhibit 2**, which is attached hereto and incorporated by reference into this Attachment, for inpatient admissions occurring in RY13 on or after November 1, 2012 through December 31, 2012.
4. Freestanding Pediatric Acute Hospitals and Pediatric Specialty Units will be paid as set forth in **Exhibit 3**, which is attached hereto and incorporated by reference into this Attachment, for discharges occurring in RY13 on or after October 1, 2012 through December 31, 2012.
5. The supplemental payments specified in **Sections III.I.1 through III.I.4**, apply to dates of service from October 1, 2012 through September 30, 2013. The other Acute Hospital payment methods that apply during this time period are the methods under the remainder of Attachment 4.19-A(1) in effect for the portion of Rate Year 2013 beginning October 1, 2012 through December 31, 2012 (TN-012-013), and for the portion of Rate Year 2013 beginning January 1, 2013 through September 30, 2013 (TN-013-002).
6. The RY12 Pay-for-Performance payment methodology set forth in **Section III.J** continues to apply for the portion of RY13 from October 1, 2012 through December 31, 2012.

**State Plan Under Title XIX of the Social Security Act**  
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**Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services**

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7. In-state Acute Hospitals are defined in **Section II**.
8. Payment for out-of-state acute inpatient hospital services is as follows. Effective for admissions on or after May 25, 2012, MassHealth will pay out-of-state acute inpatient hospitals a per discharge amount equal to the median inpatient MassHealth Standard Payment Amount per discharge (SPAD) in effect for in-state acute hospitals on the date of admission. In addition, for members under age 21, for each acute inpatient day following the first 20 days of an admission, MassHealth will pay out-of-state acute hospitals the median outlier per diem payment in effect for in-state acute hospitals on the date of service.

**B. Non-Covered Services**

The payment methods specified in this Attachment do not apply to the following Inpatient Hospital Services:

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

MassHealth contracts with a Behavioral Health (BH) Contractor to provide Behavioral Health Services to Members enrolled with the BH Contractor. Hospitals are not entitled to, and may not claim for, any fee-for-service payment from EOHHS for any services that are BH Contractor-covered services or are otherwise payable by the BH Contractor.

**2. MCO Services**

MassHealth contracts with Managed Care Organizations (MCOs) to provide medical services, including Behavioral Health Services, to Members enrolled with the MCO.

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**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 comprises more than 5% of its GPSR.

**Rate Year (RY)** – Generally, a twelve month period beginning October 1 and ending the following September 30. For specific rate years, refer to the following table:

<b>Rate Year</b>	<b>Dates</b>
RY04	10/1/2003 – 9/30/2004
RY05	10/1/2004 – 9/30/2005
RY06	10/1/2005 – 9/30/2006
RY07	10/1/2006 – 10/31/2007
RY08	11/1/2007 – 9/30/2008
RY09	10/1/2008 – 10/31/2009
RY10	11/1/2009 – 11/30/2010
RY11	12/01/2010 – 09/30/2011
RY12	10/01/2011 – 9/30/2012
RY13*	10/01/2012 – 9/30/2013

\*In future rate years, Hospitals will be paid in accordance with this Attachment (until amended).

**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 licensed by the Department of Public Health (DPH) as rehabilitation beds, in a licensed Acute Hospital that provides comprehensive Rehabilitation Services to Members with appropriate medical needs.

**RFA and Contract** – The Request for Applications and the agreement executed between each selected Hospital and EOHHS that incorporates all of the provisions of the RFA.

**State Fiscal Year (SFY)** – the time period of 12 months beginning on July 1 of any calendar year and ending on June 30 of the immediately following calendar year. SFY12 begins on July 1, 2011, and ends on June 30, 2012

**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 a complete fee-for-service payment for an acute episode of illness, excluding additional fee-for-service payment for services described in Sections III.C through H. Calculation of the SPAD is discussed in Section III.B.

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Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services  
**Exhibit 1: RY13 Payment Method for Critical Access Hospitals, Effective  
November 1, 2012 through April 30, 2013**

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**EXHIBIT 1**

**RY13 Payment Method Applicable to Critical Access Hospitals  
Effective November 1, 2012 through April 30, 2013**

**Section I. Overview**

The payment methods set forth in this **Exhibit 1** apply to Critical Access Hospitals for the RY13 period November 1, 2012 through April 30, 2013. (See TN-013-002 for the RY13 period January 1, 2013 through April 30, 2013).

**Section II. Payment Method - General**

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 the hospital's state plan services for the period November 1, 2012 through April 30, 2013, as more fully described below. Interim payments will be made to Critical Access Hospitals based on the rates and methods set forth in this **Exhibit 1**, which payments are provisional in nature and subject to the completion of a cost review and settlement for the time period beginning November 1, 2012 through April 30, 2013, as described in **Section II(B)** of this **Exhibit 1**, below. Subject to this **Exhibit 1**, **Attachment 4.19-A(1)** otherwise applies to Critical Access Hospitals. If a Hospital loses its designation as a Critical Access Hospital, the payment methods for such hospital shall revert to the standard acute hospital rate methodologies, and payments may be adjusted accordingly. Reversion to any such rate methodologies shall not affect the payment rates to other participating acute hospitals for the applicable rate year.

**(A) Payment for Inpatient Services**

For inpatient admissions occurring on or after November 1, 2012 through April 30, 2013, Critical Access Hospitals will be paid for Inpatient Services in accordance with **Attachment 4.19-A(1)** with the following changes.

Critical Access 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. Notwithstanding **Section III.B** of **Attachment 4.19-A(1)**, for inpatient admissions occurring on or after November 1, 2012 through April 30, 2013, the hospital-specific SPAD for each Critical Access Hospital was calculated, as follows, utilizing FY11 cost and discharge data:

- (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 FY11 DHCFF-403 cost report by the amount reported on Schedule II, line 100, column 11 (GPSR SUBTOT IP) of such report.

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## Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services

Exhibit 1: RY13 Payment Method for Critical Access Hospitals, Effective  
November 1, 2012 through April 30, 2013

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- (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 FY11 DHCFF-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) FY11 discharges. The hospital's Medicaid (MassHealth) discharges were derived from Schedule VA, line 25, column 6, of the hospital's FY11 DHCFF-403 cost report.
  - (4) Inflation factors for operating costs of 1.665% and 1.775%, respectively, were then applied to the Critical Access Hospital's Medicaid cost per discharge, as determined above, to derive the Critical Access Hospital's SPAD that will apply for inpatient admissions on or after November 1, 2012 through April 30, 2013.
  - (5) For any Critical Access Hospital that has greater than 63% of its gross patient service revenue (GPSR) from governmental payers and free care, as determined by EOHHS, EOHHS then applied a 5% increase to such Critical Access Hospital's SPAD for this time period, as calculated in **subsection (A)(4)**, above.

The transfer per diem rate of payment for each Critical Access Hospital for purposes of **Section III.D of Attachment 4.19-A(1)** applicable to inpatient admissions occurring on or after November 1, 2012 through April 30, 2013, was computed by dividing the Critical Access Hospital's SPAD, as calculated above and prior to making any SPAD adjustments under **subsection (A)(5)**, above, by the SPAD Base Year average all-payer length of stay of 4.59 days. Any applicable SPAD adjustment(s), as specified in **subsection (A)(5)**, above, applies when capping the transfer per diem rate at the hospital-specific SPAD.

The outlier per diem rate of payment for each Critical Access Hospital for purposes of **Section III.E of Attachment 4.19-A(1)** applicable to inpatient admissions occurring on or after November 1, 2012 through April 30, 2013, was calculated by multiplying the Critical Access Hospital's transfer per diem rate as derived above by 0.75.

**(B) Post RY13 Cost Review and Settlement**

EOHHS will perform a post-Rate Year 2013 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 the hospital's state plan services for the period November 1, 2012 through April 30, 2013, as such amount is determined by EOHHS ("101% of allowable costs"). EOHHS will utilize the Critical Access Hospital's FY13 CMS-2552 cost reports (including completed Medicaid (Title XIX) data worksheets) and such other information that EOHHS determines is necessary, to perform this post RY13 review. "Aggregate interim payments" for this purpose shall include all state plan payments to the hospital for the period November 1, 2012 through April 30, 2013.

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**Exhibit 1: RY13 Payment Method for Critical Access Hospitals, Effective**

**November 1, 2012 through April 30, 2013**

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If the Critical Access Hospital was paid less than 101% of allowable costs, EOHHS will pay the Critical Access Hospital the difference between 101% of allowable costs and the aggregate interim payments. If 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 101% of allowable costs.

This post Rate Year 2013 review and settlement will take place within twelve (12) months after EOHHS has obtained all accurate and complete data needed to perform the review and settlement calculation. EOHHS estimates that it will have accurate and complete data by September 30, 2014. Assuming this date, the settlement will be complete by September 30, 2015.

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## Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services

Exhibit 2: Payment Method for the Two Newly-Enrolled Hospitals for the Portion of RY13  
from November 1, 2012 through December 31, 2012

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**EXHIBIT 2****Payment Method Applicable to the Two Newly-Enrolled Hospitals for  
the Portion of RY13 from November 1, 2012 through December 31, 2012****Section I. Overview**

The payment methods set forth in this **Exhibit 2** apply to the two newly-enrolled in-state acute Hospitals for which EOHHS has determined it does not have prior payment history or cost reporting data available to calculate certain rates and payments using methodologies set forth elsewhere in **Attachment 4.19-A(1)**. The two newly-enrolled hospitals for which this **Exhibit 2** applies are The Shriners' Hospital for Children (Boston, MA) and The Shriners' Hospital for Children (Springfield, MA) (the "New Hospitals").

**Section II. Payment Method**

The payment methods set forth in this **Exhibit 2** apply to the New Hospitals for inpatient admissions occurring in RY13 on or after November 1, 2012 through December 31, 2012. Subject to this **Exhibit 2**, **Attachment 4.19-A(1)** otherwise applies to the New Hospitals for this time period.

**(A) Payment for Inpatient Services**

For inpatient admissions occurring in RY13 on or after November 1, 2012 through December 31, 2012, the New Hospitals will be paid for Inpatient Services in accordance with **Attachment 4.19-A(1)** 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 RY13 SPAD for this period for each New Hospital was calculated using substantially the same methodology set forth in **Section III.B of Attachment 4.19-A(1)**, subject to the following:

- (1) Components of the calculation that were based on data from all Hospitals did not include New Hospital data.
- (2) For components of the calculation that are based on data from all Hospitals:
  - updated data sources for discharges and wage area index were utilized;
  - an inflation factor for operating costs of 1.775%, and for capital costs of 1.20% was also applied;
  - the capital cost efficiency standard was applied at 50%.
- (3) To develop the New Hospital's RY13 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.

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## Methods Used to Determine Rates of Payment for Acute Inpatient Hospital Services

**Exhibit 2: Payment Method for the Two Newly-Enrolled Hospitals for the Portion of RY13  
from November 1, 2012 through December 31, 2012**

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- (4) 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 RY13 Casemix Index, as described in **subsection (A)(3)**, above.
- (5) 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, Pass-Through Amounts per Discharge, and SPAD adjustments under **Section III.B.5 of Attachment 4.19-A(1)** were not included in the calculation.

The transfer per diem rate of payment for each New Hospital for purposes of **Section III.D of Attachment 4.19-A(1)** applicable to inpatient admissions occurring in RY13 on or after November 1, 2012 through December 31, 2012, was computed by dividing the New Hospital's RY13 SPAD for this period as calculated above, by the SPAD Base Year average all-payer length of stay of 4.59 days.

The outlier per diem rate of payment for each New Hospital for purposes of **Section III.E of Attachment 4.19-A(1)** applicable to inpatient admissions occurring in RY13 on or after November 1, 2012 through December 31, 2012, was calculated by multiplying the New Hospital's transfer per diem rate for this period as derived above by 0.75.

**(B) Other**

The New Hospitals will not be subject to **Sections III.B.5 or IV.A of Attachment 4.19-A(1)** for this period of RY13..

The New Hospitals shall not be eligible for, and shall not receive, any pay-for-performance payments under **Section III.J of Attachment 4.19-A(1)** for this period of RY13.

For any other rate adjustment or payment that is provided for under **Attachment 4.19-A(1)** not otherwise addressed in this **Exhibit 2**, if EOHHS does not have on record the required data as it pertains to the New Hospital, the rate adjustment or payment shall not be applicable to the New Hospital for this period of RY13.

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**Exhibit 3: High Casemix Payment Method for Freestanding Pediatric Acute Hospitals and Pediatric Specialty Units for RY13 Discharges Beginning October 1, 2012 through December 31, 2012****EXHIBIT 3****High Casemix Payment Method Applicable to Freestanding Pediatric Acute Hospitals and Pediatric Specialty Units for RY13 Discharges from October 1, 2012 through December 31, 2012****Section I. Overview**

The payment methods set forth in this **Exhibit 3** apply to Freestanding Pediatric Acute Hospitals and Pediatric Specialty Units solely for the RY13 period beginning October 1, 2012 through December 31, 2012. For purposes of this **Exhibit 3**, this period shall be referred to as "the 1<sup>st</sup> quarter".

**Section II. Payment Method****a. RY13 SPAD and Outlier Per Diem Payments (for the period 10/1/12 through 12/31/12)**

Subject to the provisions of this **Exhibit 3**, EOHHS will make SPAD and outlier per diem payments to Freestanding Pediatric Acute Hospitals and Pediatric Specialty Units for RY13 inpatient discharges occurring from October 1, 2012 through December 31, 2012 in accordance with the rates and methods set forth in **Sections III.A through III.B and III.E of Attachment 4.19-A(1)**.

**b. Payment for High Casemix Discharges**

Within 12 months after EOHHS has obtained all accurate and complete data needed to perform the review and settlement calculation, EOHHS shall perform a review to calculate a payment settlement for Freestanding Pediatric Acute Hospitals and Pediatric Specialty Units. EOHHS estimates that it will have accurate and complete data by September 30, 2014. Assuming this date, the settlement will be complete by September 30, 2015. As part of such review, EOHHS will pay Freestanding Pediatric Acute Hospitals and Pediatric Specialty Units 85% of the Hospital's/Pediatric Specialty Unit's expenses for Inpatient Services, as determined by EOHHS, as further described below, for children discharged from such Hospitals and Pediatric Specialty Units during RY13 from October 1, 2012 through December 31, 2012 whose casemix acuity is equal to or greater than 5.0 (referred to herein as "1<sup>st</sup> quarter high casemix discharges"). EOHHS will identify 1st quarter high casemix discharges and calculate Freestanding Pediatric Acute Hospital and Pediatric Specialty Unit expenses and payments for such discharges as provided in this **Exhibit 3**.

**(1) Stratify 1<sup>st</sup> Quarter RY13 discharges by casemix level**

All 1st quarter discharges will be identified, and the corresponding casemix weight will be derived from MMIS paid claims data where MassHealth is the primary payer. The 1<sup>st</sup> quarter high casemix discharges will be identified and stratified from all other 1st quarter discharges for such Hospitals/Pediatric Specialty Units.

**(2) Calculate Settlement Rate**

For the purposes of determining the settlement payment for 1st quarter high casemix discharges for

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**Exhibit 3: High Casemix Payment Method for Freestanding Pediatric Acute Hospitals and Pediatric Specialty Units for RY13 Discharges Beginning October 1, 2012 through December 31, 2012**

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Freestanding Pediatric Acute Hospitals and Pediatric Specialty Units only, a hospital-specific inpatient settlement SPAD and outlier per diem rate will be calculated based on a hospital-specific casemix index (CMI) developed using 1st quarter discharges, excluding those discharges with a casemix acuity equal to or greater than 5.0. This calculation will otherwise be substantially in accordance with the methodology set forth in **Section III.A. through III.B, and Section III.E of Attachment 4.19-A(1).**

**(3) Apply Settlement rate**

For discharges from Freestanding Pediatric Acute Hospitals and Pediatric Specialty Units during RY13 from October 1, 2012 through December 31, 2012 that are not high casemix discharges (referred to herein as "1<sup>st</sup> quarter standard discharges"), EOHHS will calculate a settlement value for such discharges by utilizing the settlement SPAD and outlier per diem rates for such discharges, as determined by EOHHS (referred to as the "settlement value").

**(4) Calculate high casemix discharge payment**

Expenses for 1st quarter high casemix discharges will be determined by EOHHS by multiplying a cost-to-charge ratio against charges reported on the claim. The numerator of the cost-to-charge ratio will be the amount reported on Schedule II, line 100, column 10 of the hospital's FY11 DHCFP-403 report which is the amount of total patient related expenses for inpatient services. The denominator will be the amount reported on Schedule II, line 100, column 11 of the Hospital's FY11 DHCFP-403 report which is the total patient related charges for inpatient services.

Payments made for 1<sup>st</sup> quarter high casemix discharges and 1st quarter standard discharges will be determined by EOHHS and shall include SPAD and outlier per diem amounts previously paid for such discharges.

**(5) Calculate Final High Casemix Discharge Payment**

After determining expenses and payments for the 1st quarter high casemix discharges, and the settlement value for the 1st quarter standard discharges, EOHHS will make the final payment adjustments as set forth below.

The payment amount due for 1st quarter high casemix discharges pursuant to this **Exhibit 3**, if any, will be the difference between (I) the sum of (a) 85% of the Hospital's aggregate expenses for identified high casemix discharges, plus (b) the aggregate settlement value of the repriced 1st quarter standard discharges, and (II) the aggregate amount of the payments that were previously made for all such discharges for the same time period. If the result of this calculation is an amount equal to or less than zero, then no payment will be due to or from the Hospital / Pediatric Specialty Unit.

For Hospitals with Pediatric Specialty Units, the payment calculated under this **Exhibit 3** shall only apply to services rendered in the Pediatric Specialty Units.