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State/Territory Name: MASSACHUSETTS

State Plan Amendment (SPA) #: MA-25-0027

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services
Center for Medicaid & CHIP Services
230 South Dearborn
Chicago, Illinois 60604



Financial Management Group

October 16, 2026

Ryan Schwarz
Medicaid Director and
Assistant Secretary for MassHealth
Commonwealth of Massachusetts
Executive Office of Health and Human Services
Office of Medicaid
One Ashburton Place, 10th Floor
Boston, MA 02108

RE: TN 25-0027

Dear Medicaid Director and Assistant Secretary Schwarz:

The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed Massachusetts State Plan Amendment (SPA) to Attachment 4.19-B MA-25-0027, which was submitted to CMS on September 30, 2025. This plan amendment updates the Outpatient Hospital services reimbursement.

We reviewed your SPA submission for compliance with statutory requirements including in sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1903 as it relates to the identification of an adequate source for the non-federal share of expenditures under the plan, as required by 1902(a)(2), of the Social Security Act and the applicable implementing Federal regulations.

Based upon the information provided by the state, we have approved the amendment with an effective date of July 7, 2025. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

If you have any additional questions or need further assistance, please contact Ysabel Gavino via email at Maria.Gavino@cms.hhs.gov.

Sincerely,

[Redacted Signature]

Todd McMillion
Director
Division of Reimbursement Review

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER

2 5 — 0 0 2 7

2. STATE

M A3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACTTO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

07 /07 /2025

5. FEDERAL STATUTE/REGULATION CITATION

42 CFR Part 440

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)

a. FFY 25 \$ 155,505,000b. FFY 26 \$ 0

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT

Attachment 4.19-B(1) pp. 36-~~43~~ **44**8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable)

Attachment 4.19-B(1) pp. 36-41

9. SUBJECT OF AMENDMENT

An amendment to the payment methodologies for acute outpatient hospitals

10. 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:

11. SIGNATURE OF STATE AGENCY OFFICIAL

12. TYPED NAME

Mike Levine

13. TITLE

Undersecretary for MassHealth

14. DATE SUBMITTED

09/30/2025

15. RETURN TO

Commonwealth of Massachusetts
Executive Office of Health and Human Services
Office of Medicaid
One Ashburton Place, 10th Floor
Boston, MA 02108**FOR CMS USE ONLY**

16. DATE RECEIVED

September 30, 2025

17. DATE APPROVED

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL

July 7, 2025

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL

Todd McMillion

21. TITLE OF APPROVING OFFICIAL

Director, Division of Reimbursement Review

22. REMARKS

CMS Form 179, revised August 27, 2026, was submitted to CMS on August 27, 2026, reflecting a pen-and-ink change to Block 7 to include page 44 - Ysabel Gavino 8.27.2026

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- i. A freestanding Pediatric Acute Hospital, as determined by EOHHS,
- ii. The independent hospital listed as a Group 1 Safety Net Hospital in Appendix N of the Massachusetts 1115 Demonstration that had the largest percentile of operating loss in FY2022 as reported by CHIA, or
- iii. The acute hospital that had the lowest statewide commercial relative price in fiscal year 2019.

a. Methodology

Subject to compliance with all applicable federal rules and payment limits, including hospital-specific upper payment and cost limits, for RY25, EOHHS will make the targeted hospital supplemental payments described in this Section III.F.8, to account for eligible hospitals' costs associated with Medicaid fee-for-service outpatient services. These payments are necessary to ensure ongoing provision of services to Medicaid members in a manner consistent with efficiency, economy, and quality of care as follows:

- i. For hospitals eligible for targeted hospital supplemental payments under Section III.F.8.a.ii, EOHHS shall make a total aggregate payment of \$22,500,000 to the hospital with the largest volume of inpatient discharges in fiscal year 2019, as determined by EOHHS using Massachusetts hospital cost report data by September 30, 2027.
- ii. For hospitals eligible for a hospital supplemental payment under Section III.F.8.a.i, EOHHS shall make a total aggregate payment of \$10,000,000 by September 30, 2027.
- iii. For hospitals eligible for a hospital supplemental payment under Section III.F.8.a.iii, EOHHS shall make a total aggregate payment of \$11,000,000 by September 30, 2027.

9. Supplemental Payment for Continuity of Access of High Public Payer Acute Hospitals

Effective July 7, 2025, the eligible hospital will receive a Supplemental Payment for Continuity of Access of High Public Payer Acute Hospitals for RY25, in accordance with the following chart, to ensure the continuation of access to essential acute hospital services for Medicaid members in the communities served by the eligible hospital, consistent with efficiency, economy, and quality of care. The amount accounts for the eligible hospital's costs associated with Medicaid fee-for-service outpatient services and is in accordance with all applicable federal rules and payment limits, including state- and hospital-specific upper payment and cost limits. The total aggregate amount shall be paid out by September 30, 2026.

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Eligible Hospital	Supplemental Payments Effective July 7, 2025
Holy Family Hospital	\$40,000,000 which is divided into four equal parts, each attributable to one calendar quarter, and is paid as a supplemental payment to the provider by dividing each quarterly \$10,000,000 by the number of Medicaid outpatient discharges from quarterly time period. The four equal parts are paid together in one a single lump sum payment.

10. High Medicaid Volume Safety Net Continuation of Access Supplemental Payment

a. Eligibility

In order to qualify for this payment, a hospital must be a High Medicaid Volume Safety Net Hospital, as defined in Attachment 4.19-A (1) p. 10 at Section II, must be part of a hospital system that is the purchaser of another hospital that is a debtor in the voluntary cases commenced on May 6, 2024, in the United States Bankruptcy Court for the Southern District of Texas under case Number 24-90213, and must enter into a separate payment agreement with EOHHS relating to this High Medicaid Volume Safety Net Hospital Continuation of Access Supplemental Payment.

b. Methodology

Subject to compliance with all applicable federal rules and payment limits, including 42 CFR 447.271 and hospital-specific cost limits, EOHHS will make a supplemental payment, in two parts, to qualifying hospitals to ensure continuous access to hospital services for MassHealth members. The two-part payment described in this Section III.F.8 are necessary to ensure ongoing provision of services to MassHealth members in a manner consistent with efficiency, economy, and quality of care.

The payment amount for RY25 is \$140,000,000 and accounts for the eligible hospital's costs associated with MassHealth fee-for-service outpatient services. Part 1 of the supplemental payment, effective October 1, 2024, totaling \$40,000,000 shall be paid in a single installment payment to the provider by dividing the total \$40,000,000 by the number of annual MassHealth outpatient discharges. It shall be paid by August 1, 2025.

Part 2 of the supplemental payment, effective July 7, 2025, totaling \$100,000,000, shall be paid in two installment payments to the provider by dividing the first \$50,000,000 installment by the number of MassHealth outpatient discharges occurring in the first and second quarters of RY25 and the second \$50,000,000 installment by the number of MassHealth outpatient discharges occurring in the third and fourth quarters of RY25. These installments shall be by September 30, 2026.

11. Supplemental Payment for Fiscally Strained High Public Payer Hospitals

The supplemental payment methodology described in this Section III.F.11 is effective September 30, 2025.

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a. Definitions

For the purposes of this Supplemental Payment, the following definitions shall apply:

- i. “2023 Hospital Databook” shall mean the Massachusetts Acute Hospital Profiles Databook published by CHIA for hospital fiscal year 2023.
- ii. “2022 Relative Price Databook” shall mean the Relative Price and Provider Price Variation Databook published by CHIA for hospital fiscal year 2022.
- iii. “Margin” shall mean a hospital’s operating revenues minus the hospital’s operating expenses.
- iv. “Public Payer Mix” shall mean a hospital’s percentage of gross patient service revenue (GPSR) attributable to Medicare, MassHealth, the Health Safety Net, and other government payers.

b. Qualification

In order to qualify for this supplemental payment, a hospital must meet the criteria for one of the following tiers, provided however, that with the exception of hospitals in Tier 5, no hospital may qualify for more than one tier:

- i. Tier 1: non-public hospitals with a public payer mix greater than 68% according to the 2023 Hospital Databook, a statewide relative price of less than 0.9 according to the 2022 Relative Price Databook, and a negative margin according to the 2023 Hospital Databook;
- ii. Tier 2: non-public hospitals that are not in Tier 1, with a public payer mix greater than 63% according to the 2023 Hospital Databook, a statewide relative price of less than 1.0 according to the 2022 Relative Price Databook, and a negative margin according to the 2023 Hospital Databook;
- iii. Tier 3: non-public hospitals that are not in Tier 1 or 2, with a public payer mix greater than 63% according to the 2023 Hospital Databook, and a statewide relative price of less than 1.0 according to the 2022 Relative Price Databook;
- iv. Tier 4: non-public hospitals that are not in Tier 1, 2 or 3, with a public payer mix greater than 63% according to the 2023 Hospital Databook;
- v. Tier 5: the non-public hospital that is a community-high public payer hospital in Middlesex county with a margin of less than -8%.

c. Payment Methodology

Subject to compliance with all applicable federal statutes, regulations, state plan and waiver provisions, payment limits including state- and hospital-specific upper payment and cost

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limits, and full federal financial participation, as applicable, EOHHS will make the payments to hospitals qualifying under Tiers 1 through 5 of this Section III.F.11, as described below. The payments in this Section III.F.11 are necessary to ensure ongoing provision of services to Medicaid members in a manner consistent with efficiency, economy, and quality of care. They are one-time payments for RY25 to account for eligible hospitals' costs associated with Medicaid fee-for-service outpatient services, and paid out in single lump sums to the eligible hospitals by February 1, 2026.

- i. The payment for each hospital within each tier shall be proportional to the hospital's Medicaid GPSR, as compared to the total Medicaid GPSR of all hospitals within the tier, as such Medicaid GPSR is reported in the 2023 Hospital Databook.
- ii. The aggregate payment across hospitals for each tier is as follows:
 - (a) Tier 1: \$19,964,001.73
 - (b) Tier 2: \$40,926,203.54
 - (c) Tier 3: \$21,960,401.90
 - (d) Tier 4: \$16,969,401.47
 - (e) Tier 5: \$5,679,991.35

II. [Reserved]

III. Other Provisions

A. Federal Limits

If any portion of the payment methodology is not approved by CMS or is in excess of applicable federal limits, EOHHS may recoup any payment made to a Hospital in excess of the approved methodology. Any such recovery shall be proportionately allocated among affected hospitals. Any FFP associated with such overpayments will be returned to CMS.

B. Future Rate Years

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

C. 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 the state plan, EOHHS, in its sole discretion, shall determine, on a case-by-case basis (1) whether the Hospital qualifies for payment under the state plan, and, if so, (2) the appropriate rates of payment. Such rates of payment shall be determined in accordance

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with the provisions of the state plan to the extent EOHHS deems possible. EOHHS's determination shall be based on the totality of the circumstances. Any such rate may, in EOHHS's sole discretion, affect computation of the statewide average or statewide standard payment amount and/or any efficiency standard.

D. Data Sources

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

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VI. Other Quality and Performance Based Payment Methods

A. Provider Preventable Conditions

Citation

42 CFR 447, 434, 438, and 1902(a)(4), 1902(a)(6), and 1903

Payment Adjustment for Provider Preventable Conditions

The Medicaid agency meets the requirements of 42 CFR Part 447, Subpart A, and sections 1902(a)(4), 1902(a)(6), and 1903 with respect to non-payment for provider-preventable conditions.

Other Provider-Preventable Conditions

The State identifies the following Other Provider-Preventable Conditions for non-payment under Attachment 4.19-B (1), (Acute Outpatient Hospital Services) of this State plan, where applicable.

☒ Wrong surgical or other invasive procedure performed on a patient; surgical or other invasive procedure performed on the wrong body part; surgical or other invasive procedure performed on the wrong patient.

☒ Additional Other Provider-Preventable Conditions identified below:

- The following Hospital Acquired Conditions as identified by Medicare, as they may be updated by CMS:
 1. Foreign object retained after surgery.
 2. Air Embolism
 3. Blood incompatibility
 4. Stage III and IV Pressure Ulcers
 5. Falls and Trauma, related to:
 - fractures
 - dislocations
 - intracranial injuries
 - crushing injuries
 - burns
 - other injuries
- In addition, the following:
 1. Intraoperative or immediately postoperative / post procedure death in a ASA class 1 patient
 2. Patient death or serious injury associated with the use of contaminated drugs, devices or biologics provided by the healthcare setting.

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3. Patient death or serious injury associated with the use or function of a device in patient care, in which the device is used or functions other than as intended.
4. Patient death or serious injury associated with patient elopement (disappearance)
5. Patient suicide, attempted suicide, or self-harm resulting in serious injury, while being cared for in a healthcare setting.
6. Patient death or serious injury associated with a medication error (e.g., errors involving the wrong drug, wrong dose, wrong patient, wrong time, wrong rate, wrong preparation or wrong route of administration)
7. Maternal death or serious injury associated with labor or delivery in a low-risk pregnancy while being cared for in a healthcare setting.
8. Death or serious injury of a neonate associated with labor and delivery in a low risk pregnancy.
9. Unstageable pressure ulcer acquired after admission / presentation in a healthcare setting.
10. Patient death or serious injury resulting from the irretrievable loss of an irreplaceable biological specimen.
11. Patient death or serious injury resulting from failure to follow up or communicate laboratory, pathology, or radiology test results.
12. Death or serious injury of a patient or staff associated with the introduction of a metallic object into the MRI area.
13. Patient death or serious injury associated with the use of physical restraints or bedrails while being cared for in a health care setting.
14. Death or serious injury of a patient or staff member resulting from a physical assault (i.e., battery) that occurs within or on the grounds of a healthcare setting.

No reduction in payment for a provider preventable condition will be imposed on a provider when the condition defined as a PPC for a particular patient existed prior to the initiation of treatment for that patient by that provider.

Reduction in provider payment may be limited to the extent that the following apply: (i) the identified provider preventable conditions would otherwise result in an increase in payment; (ii) the State can reasonably isolate for nonpayment the portion of the payment directly related to treatment for, and related to, the provider preventable condition.

A State plan must ensure that nonpayment for provider-preventable conditions does not prevent access to services for Medicaid beneficiaries.

Payment Method:

EOHHS will pay hospitals in accordance with the requirements of 42 CFR Part 447, Subpart A, and sections 1902(a)(4), 1902(a)(6) and 1903 with respect to non-payment for provider-preventable conditions.

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Provider preventable conditions (“PPCs”) are defined as those conditions that are identified as Other Provider-Preventable Conditions (“OPPCs”) above. The OPPCs include the three National Coverage Determinations (the “NCDs”) and the Additional Other Provider Preventable Conditions (“Additional OPPCs”) that are listed above.

When a Hospital reports a PPC, MassHealth will reduce payments to the Hospital as follows:

1. APEC:
 - a. MassHealth will not pay the APEC 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.
 - b. MassHealth will pay the APEC, as adjusted to exclude PPC-related costs/services, if the Hospital reports that non-PPC related services were also delivered during the same 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.
2. Outpatient Hospital Payments for Hospital-Based Physician Services: MassHealth will not pay for outpatient Hospital-based physician services reported as PPC-related services.
3. 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 adjusted in the case of an APEC payment to exclude PPC-related costs/services, and 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.

The federal non-payment provision also applies to third party liability and crossover payments by MassHealth.

Charges for services, including co-payments or deductibles, deemed non-billable to MassHealth are not billable to the member.

In the event that individual cases are identified throughout the PPC implementation period, the Commonwealth shall adjust reimbursement according to the methodology above

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B. Serious Reportable Events

The non-payment provisions set forth in this Section VI.B. apply to the following serious reportable events (SREs), where applicable:

1. Discharge or release of a patient / resident of any age, who is unable to make decisions, to other than an authorized person.
2. Any incident in which systems designated for oxygen or other gas to be delivered to a patient contains no gas, the wrong gas or are contaminated by toxic substances
3. Any instance of care ordered by or provided by someone impersonating a physician, nurse, pharmacist, or other licensed health care provider.
4. Abduction of a patient / resident of any age.
5. Sexual abuse / assault on a patient or staff member within or on the grounds of the healthcare setting.

Hospitals are prohibited from charging or seeking payment from MassHealth or the Member for Hospital and Hospital-Based Physician services that are made necessary by, or are provided as a result of, a serious reportable event occurring on premises covered under the Hospital license that was preventable, within the Hospital's control, and unambiguously the result of a system failure, as described in DPH regulations at 105 CMR 130.332 as in effect on the date of service. Non-reimbursable Hospital and Hospital-Based Physician services include:

1. All services provided during the outpatient visit during which a preventable SRE occurred; and
2. All services provided during readmissions and follow-up outpatient visits as a result of a non-billable SRE provided:
 - a. at a facility under the same license as the Hospital at which a non-billable SRE occurred; or
 - b. on the premises of a separately licensed hospital with common ownership or a common corporate parent of the Hospital at which a non-billable SRE occurred.
3. Charges for services, including co-payments or deductibles, deemed non-billable to MassHealth are not billable to the Member.

The non-payment provision also applies to third-party liability and crossover payments by MassHealth.

A Hospital not involved in the occurrence of a preventable SRE that also does not meet the criteria in number 2 above, 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.