

MassHealth Presentation to the Special Commission on Provider Price Variation

Executive Office of Health & Human Services


Discussion document

November 1, 2016

Agenda

- MassHealth FY16 summary
- Ambulatory payment methodology
- Hospital payment methodology
- Supplemental payments summary
- Questions

MassHealth: FY16 Overview

 Focus of today's discussion

- 1.9 million members, 28% of Massachusetts population
- \$15.7 billion in FY 2016 program + supplemental spending spend:
 - \$6.8 billion on managed care capitation payments
 - \$3.9 billion on direct payments to LTSS providers (e.g., Nursing facilities, Home Health agencies, PCAs)
 - **\$4.0 billion on direct payments to medical providers**
 - **\$1.9 billion rate payments to ambulatory medical providers**
 - **\$1.2 billion rate payments to hospitals**
 - **\$0.9 billion supplemental payments to hospitals**
 - \$1.0 billion on Medicare premiums and other payments

Payment Methodology: Ambulatory medical providers

- \$1.9 billion FY16 spending on ambulatory medical providers, e.g.:
 - Physicians
 - Community Health Centers
 - Clinical Labs
- Rate-setting process:
 - 27 Rates set by regulation M.G.L 118E Sec. 13C, 13D, in accordance with state law
 - Multi-step process to develop + promulgate rates:
 - CHIA analysis
 - Stakeholder engagement
 - Public hearings
 - Final adoption
- Payment methodology:
 - Class rates (i.e., same for any participating provider) for each procedure code
 - Procedure codes billed reflect unique services provided to each member
 - E.g. Office visit, knee replacement

Payment Methodology: Acute Care Hospitals

- \$1.2 billion FY16 hospital rate payments (inpatient + outpatient)
- Bundled rates for inpatient + outpatient hospitals set annually in single hospital contract (“RFA”)
- Inpatient payments cover all hospital services provided during a **single admission**
 - State-wide base rate established by RFA
 - RY 17 base rate = \$10,207
 - Base rates adjusted for:
 - Acuity (calculated using 3M APR-DRG discharge grouper), e.g.:
 - Chest Pain= $0.3808 \times \text{base rate}$
 - Liver Transplant: $11.0454 \times \text{base rate}$
 - Area wage index (+/- 0.1%)
 - Outlier payment add-on for admissions with costs > \$25,000
 - Readmission penalty – Hospitals are evaluated based on their ability to limit readmissions. The base rate penalty reduction ranges from 0% - 4.4%

Payment Methodology: Acute Care Hospitals (continued)

- Outpatient payments cover all hospital services provided during a **24-hour episode**
 - State-wide base rate established by RFA
 - RY 17 base rate = \$252.00
 - Outpatient base rates adjusted for:
 - Acuity (calculated using 3M EAPG ambulatory grouper), e.g.:
 - Skin Repair (i.e., stitches) = $0.6899 \times \text{base rate}$
 - Arthroplasty = $14.10 \times \text{base rate}$
 - Outlier payment adjustment for episodes with costs > \$2,100
 - Prior to Dec 1 2016, hospitals receive a fixed Payment Amount Per Episode (“PAPE”) that reflects the hospitals’ historical acuity + outlier cost.
 - After Dec 1 2016, rates will be adjusted for acuity and outlier costs in real time (APEC)
- Pay for Performance Program – In addition to rate payments, hospitals can earn additional payment for delivering high quality care.
 - \$20 million in RY16 paid on the basis of performance against prescribed measures

Summary of Supplemental Payments

In addition to hospital rate payments, MassHealth makes approximately \$0.9 billion in supplemental payments not tied directly to hospital admissions/episodes

Program	Recipients	Qualifications	FY16 Value (\$M)
Delivery System Tranf. Initiative (DSTI)	7 Hospitals	Hospitals with Medicaid volume >1 SD <u>above</u> statewide mean + commercial volume >1SD <u>below</u> statewide mean	200.0
Pubic Service Hospital	2 Hospitals	Authorized in 1115 Waiver specifically for CHA and BMC	140.0
Public Hospital Transf. Initiative (PHTII)	1 Hospital	Authorized in 1115 Waiver specifically for CHA	220.0
MassHealth Essential	5 Hospitals	Non-profit teaching hospitals affiliated with state-owned medical school or public acute hospital with Medicaid patient days \geq 7%	213.0
High Medicaid Discharge Hospitals	12 Hospitals	Hospitals with > 2.7% of statewide Medicaid discharges	115.0
High Public payor	35 Hospitals	Hospitals whose Medicaid + Medicaid volume \geq 63%	24.0
High Complexity pediatric	4 Hospitals	Pediatric Hospitals that treat high complexity children	15.0
Total			927.0

Questions?