Fiscal Years 2007 and 2008

Annual Report

July 2009

Deval L. Patrick, Governor
Commonwealth of Massachusetts

Timothy P. Murray
Lieutenant Governor

JudyAnn Bigby, Secretary
Executive Office of Health and Human Services

Sarah Iselin, Commissioner
Division of Health Care Finance and Policy

Table of Contents

Introduction

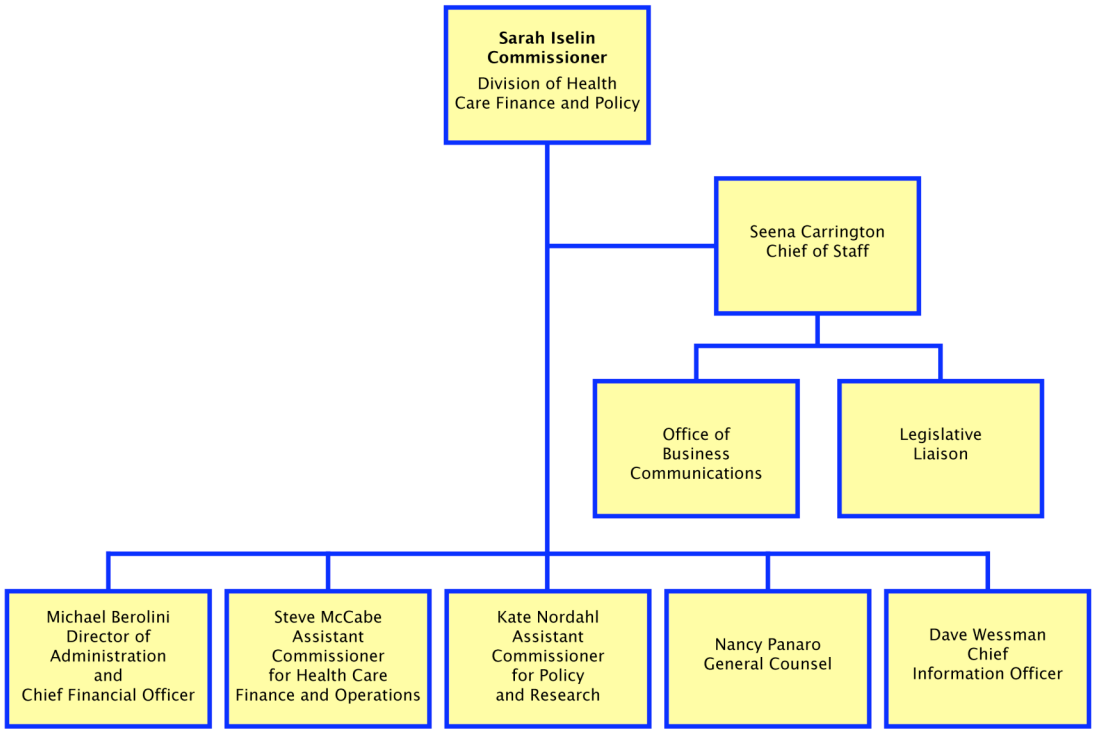
Mission

The Division of Health Care Finance and Policy strives to improve the delivery and financing of health care by providing information, developing policies, and promoting efficiencies that benefit the people of Massachusetts.

History

The Division of Health Care Finance and Policy (Division) was formed on July 1, 1996, when the legislature abolished the Rate Setting Commission (RSC) and the Department of Medical Security (DMS). The Division assumed many responsibilities of the former RSC and many of the functions of the former DMS.

Organizational Chart



Key Responsibilities

In state fiscal year 2007 (FY07) and fiscal year 2008 (FY08) the key responsibilities of the Division were to:

- facilitate the successful implementation of health care reform, including developing regulations for the Fair Share Contribution, the Free Rider Surcharge, and the Health Insurance Responsibility Disclosure;

- collect, analyze, and disseminate information about the health care delivery system in areas of cost, access, and quality;

- support pricing policy for public purchasers of health care services;

- manage the transition of the Uncompensated Care Pool to the Health Safety Net; and

- oversee the Student Health Insurance Program.

Facilitate the Successful Implementation of Health Care Reform

The Massachusetts health care reform law, Chapter 58 of the Acts of 2006, was designed with the goal of achieving near universal coverage. This landmark legislation uses expansion of Medicaid eligibility, government subsidies, insurance market reform, and mandates to ensure affordability and access to care.

Under Chapter 58, the Division was charged with implementing three new responsibilities affecting Massachusetts employers: the Employer Fair Share Contribution, the Free Rider Surcharge, and the Health Insurance Responsibility Disclosure. The Division held consultative sessions throughout the state before issuing regulations to implement these statutory requirements. The Division also worked closely with staff from the Department of Revenue (DOR), the Commonwealth Health Insurance Connector Authority (CCA), the Division of Insurance (DOI), and the Division of Unemployment Assistance (DUA) to coordinate implementation of these regulations.

Employer Fair Share Contribution

Effective October 1, 2006, the Division's Fair Share Contribution regulation governs the determination of whether an employer is exempted from paying the annual Fair Share contribution of $295 per employee. Employers, who make a "fair and reasonable premium contribution" to the health care costs of its employees as defined by the Division, are exempted. DUA is responsible for collecting this fee.

The initial Fair Share Contribution (FSC) liability for the FSC 2007 filing cycle, from October 1, 2006 to September 30, 2007, was due by November 15, 2007. According to the FSC test results, approximately 24,000 employers filed with DUA and were subject to the FSC test because they had 11 or more full-time equivalents (FTEs). Results were as follows:

- 1,011 firms passed contribution but failed take-up and passed the FSC test
- 1,434 firms failed contribution but passed take-up and passed the FSC test
- 20,630 firms passed contribution and passed take-up and passed the FSC test
- 855 firms failed both the take-up and contribution tests and failed the FSC test
- The firms that failed the 2007 FSC test constitute about 3.6 percent of all firms with >11 FTEs and owe approximately $8.6 million in gross liability

In the FSC 2008 filing cycle, from October 1, 2007 to September 30, 2008, 21,116 employers with 11 or more FTEs filed and 2.8 percent owed a liability. This resulted in $5.4 million of FSC revenue for the Commonwealth.

Free Rider Provisions

Chapter 58 also requires the Division to assess a surcharge on Massachusetts employers for state costs incurred in providing free care to an employer's employees or employee dependents. The Division adopted the Free Rider Surcharge regulation, effective July 1, 2007, to implement this requirement. The surcharge is imposed on employers of 11 or more FTEs that fail to offer employees with access to a "section 125 cafeteria plan" in accordance with the rules of the CCA. The Division is currently reviewing Uncompensated Care Pool claims data and matching this information to the DOR data to determine potential employer liability. Employers are offered an opportunity to come into compliance with the Section 125 cafeteria plan requirement before a surcharge liability is issued.

Health Insurance Responsibility Disclosure Requirements

The Division adopted regulations, effective July 1, 2007, to implement the Health Insurance Responsibility Disclosure (HIRD) requirement. Employers must submit Employer HIRD information about group health plans offered, contribution percentages, and whether they offer a Section 125 cafeteria plan. To ease the administrative burden on employers, this information was collected as part of the Employer Fair Share Filing with the DUA. There is also a streamlined process for cities and towns that have elected to offer health insurance to employees through M.G.L. c. 32B. In addition, employers are required to have employees, who decline to enroll in an employer-sponsored health plan or participate in a Section 125 cafeteria plan, sign an Employee HIRD form indicating whether they have alternative insurance coverage.

Related Regulations

114.5 CMR 16.00	Determination of the Employer Fair Share Contribution
114.5 CMR 17.00	Employer Surcharge for State-funded Health Costs
114.5 CMR 18.00	Health Insurance Responsibility Disclosure

Manage the Uncompensated Care Pool / Health Safety Net

To ensure access to essential health care services for uninsured or underinsured residents, Chapter 58 created the Health Safety Net (HSN) to replace the Uncompensated Care Pool (Pool). The Division administers the HSN which, like the Pool, reimburses acute care hospitals and community health centers for allowable services provided to this population.

The transition of the Pool to the HSN included several initiatives designed to promote enrollment in health insurance coverage and align policies with those of other state health programs like MassHealth and Commonwealth Care.

Since the implementation of health care reform, Massachusetts has achieved not only an increase of 428,000 additional people with health insurance coverage, based on data from the Division's *Health Care in Massachusetts: Key Indicators* May 2009 report, but also a dramatic reduction in HSN utilization and payments as well.

The Pool fiscal year (PFY) and the HSN fiscal year run from October 1 through September 30 of the following year. Payment data are reported for PFY07 and HSN08.

Transition

Chapter 58 required that the HSN develop regulations to define eligibility for health services funded by the HSN. In HSN08, the Division developed eligibility policies to promote enrollment in affordable health insurance options. To ensure that residents are enrolled in the most appropriate program, residents must apply for coverage through a common application process used by MassHealth, Commonwealth Care, and the HSN. Since January 2005, most HSN determinations have been completed using the MassHealth Virtual Gateway application process initiated at a hospital or community health center. Between October 2006 and September 2008, more than 90,000 individuals who were formerly eligible for the Pool were determined eligible for Commonwealth Care.

Massachusetts residents who are uninsured or underinsured and have income up to 200 percent of the Federal Poverty Level (FPL) are eligible for full HSN primary or secondary coverage. If residents have income between 201 percent and 400 percent of the FPL and do not have access to affordable health insurance, they may be determined eligible for partial HSN coverage, which includes a sliding scale deductible. Residents who are eligible for affordable employer-sponsored insurance, MassHealth, or Commonwealth Care insurance coverage are not eligible for the HSN unless they enroll in an insurance plan. Individuals who are enrolled in programs may be eligible for HSN secondary coverage for certain services not covered by their primary insurance. In order to support enrollment in Commonwealth Care, individuals are eligible for the HSN during the Commonwealth Care enrollment process. Individuals who have been determined eligible for Commonwealth Care but do not complete the enrollment process lose their HSN eligibility.

In the transition from the Pool to the HSN, the Division expanded the Medical Hardship provisions by eliminating the asset test and applying a sliding scale income test. This expansion allows individuals who are temporarily uninsured to fill gaps in coverage that many residents experience when they have lost coverage or are switching coverage due to changes in employment or family situations. Medical Hardship provisions allow individuals of any income to have all or a portion of their medical costs at acute care hospitals and community health centers paid for by the HSN.

Funding Sources

In PFY07 and HSN08, the Pool/HSN was primarily funded from three sources: an assessment on acute hospitals' private sector charges; a surcharge on payments made to hospitals and ambulatory surgical centers by HMOs, insurers, and individuals; and an annual appropriation from the Commonwealth's General Fund.

Hospital Assessments

In PFY07 and HSN08, the total annual amount paid by hospitals into the HSN was $160 million. The PFY07 liability was established by Section 124 of Chapter 58 of the Acts of 2006. Effective October 1, 2007, total annual hospital liability to the HSN is established by M.G.L. c. 118G, § 37 at $160 million. Each hospital's assessment is calculated by multiplying its private sector charges by the uniform percentage, which is calculated by dividing the total assessment ($160 million) by the total private sector charges from all hospitals statewide. Since each hospital's liability is based on its private sector charges, hospitals that treat more private patients make larger payments to the HSN. In PFY07 and HSN08, hospital assessments accounted for $160 million of HSN funding sources.

Surcharge Collections

In PFY07 and HSN08, the total liability of surcharge payers was $160 million. The PFY07 liability was established by Section 124 of Chapter 58 of the Acts of 2006. Effective October 1, 2007, total annual surcharge payer liability is established by M.G.L. c. 118G, § 38 at $160 million. The Division sets the surcharge percentage at a level to produce the total amount to be collected. If more than $160 million is collected in one year, the Division reduces the surcharge percentage in the subsequent year. The surcharge percentage was 2.30 percent in PFY06, 2.10 percent in PFY07 and 2.10 percent in HSN08. Both providers and payers file reports with the Division that are analyzed to ensure payment of appropriate surcharge amounts. In PFY07 and HSN08, surcharge payers accounted for $160 million of HSN funding sources.

General Fund

In PFY07 and HSN08, the Commonwealth also made a General Fund contribution to the UCP and HSN. The total General Fund contribution was $290 million in PFY07, and $49.6 million in HSN08.

Additional Funding for Uncompensated Care

In PFY07, offset payments totaling $70 million were paid from the Medical Assistance Trust Fund; $20 million of these funds were paid to Boston Medical Center, and $50 million were paid to Cambridge Health Alliance. These payments offset allowable HSN services. Additionally, $70 million of the General Fund contribution to the Pool was also reserved for dedicated payments to Boston Medical Center ($51.8 million) and Cambridge Health Alliance ($18.2 million). Therefore, a total of $140 million was offset from allowable uncompensated care costs.

In HSN08, offset payments totaling $60 million were paid from the Medical Assistance Trust Fund to Boston Medical Center ($20 million) and Cambridge Health Alliance ($40 million). Further HSN08 funding was received from Chapter 120, the supplemental budget provision, which provided an extra $15.7 million to the HSN Trust Fund. Additionally, $24 million in HSN08 funding came from Pool residual balances transferred to HSN08 funding.

Payment

Through PFY07, hospital payments were made using a block grant system in which rate year payments were based on prior period hospital charges reported to the Pool. Available Pool funding was allocated among providers based on their prospective share of estimated statewide free care costs. Hospitals that served a high proportion of low-income patients were paid a specific percentage of their free care costs. Community health centers (CHCs) were paid based on a fee schedule. While this system allocated payments based on a hospital's share of free care expenses, it resulted in a wide variation of payment rates among hospitals.

As mandated by Chapter 58, in HSN08 the HSN began paying hospitals based on adjudicated claims, after verifying the patient is eligible and the services are covered. HSN payment rates are based on Medicare payment principles. Inpatient services are paid using hospital-specific Medicare-based rates, adjusted for variations in patient acuity, teaching status, and percent of low-income patients. Outpatient services are paid using a per-visit rate, developed by estimating the amount Medicare would have paid for comparable services. Additional outpatient adjustments are made for disproportionate share and community hospitals. HSN payments cannot exceed available funding for a given year. If a projected shortfall in payments is anticipated, hospital payments are subject to reduction using the greater proportional need method of shortfall distribution.

Community health centers are paid by the HSN using the federally qualified health center (FQHC) medical visit rate. Ancillary services provided by CHCs are paid at MassHealth payment rates including all applicable rate enhancements.

Outpatient prescription drugs for eligible hospitals are paid using the pharmacy online payment system (POPS) used by the MassHealth program. The use of this system is aimed at improving utilization controls and ensuring an appropriate level of payment. Pharmacy claims are priced through POPS using the MassHealth fee schedule, and then data is

transmitted to the HSN to make monthly payment to hospitals and CHCs for pharmacy services.

In PFY07, Pool spending totaled $664.8 million. In HSN08, HSN spending decreased by 37 percent to $415.6 million.

Program Management Enhancements

The HSN has adopted a number of program management enhancements to ensure appropriate payment for eligible services. These enhancements will allow the HSN to operate at a higher level of efficiency, and promote consistency in coverage and eligibility policies with the Commonwealth Connector products and MassHealth. Where possible, the HSN leveraged existing programs and partnerships at other state agencies, such as MassHealth, thereby reducing administrative duplication. Enhancements include:

Covered Services

In HSN08, the Division adopted the MassHealth Standard benefit package as the foundation of eligible services paid for by the HSN. MassHealth Standard is the most extensive of any MassHealth benefit program, resulting in a comprehensive scope of services allowable under the HSN. Only those MassHealth Standard services that can be provided in a hospital or a community health center setting are covered by the HSN.

Utilization Review

The HSN uses the same Drug Utilization Review (DUR) program that is used by MassHealth, which includes prior authorization for specific drugs and the ability to leverage MassHealth clinical protocols to ensure appropriate and cost-effective prescribing. The HSN will also be implementing a clinical utilization review program. This program will add assurance that the HSN is billed for appropriate clinical services, and will identify quality and cost drivers to promote policy development aimed at improved health outcomes and cost containment.

Standardized Claims Submission

In alignment with the Commonwealth's health care cost containment goals, the HSN is transitioning to standardized electronic formats for claims submission. To improve processing efficiency, accuracy and timeliness, the Division requires hospitals to submit claims in the 837 format. CHCs will also transition to standard 837 HIPAA compliant electronic claims submissions in HSN09.

Caseload Management (Annual Redetermination)

Through the MassHealth redetermination process, the HSN will redetermine eligibility for all HSN-eligible individuals at least annually, to ensure that eligibility information remains updated.

ERBD Evidence Requirements

The HSN adopted stricter emergency room bad debt (ERBD) evidence submission requirements to ensure that proper collection action has been pursued for a minimum of 120 days for ERBD claims prior to payment.

Third Party Liability and Access to Affordable Health Insurance

This program allows identification of cases in which another insurer should serve as primary payer and reduces inappropriate payments from the HSN, which is always the payer of last resort. Individuals with access to affordable insurance must enroll in an affordable plan before they access the HSN as secondary payer, subject to income guidelines, in alignment with the objective of encouraging uptake of affordable insurance.

Demonstration Projects

In July 1997, the Massachusetts legislature enacted legislation (M.G.L. c.118G s.18) authorizing the Division to allocate up to $5 million in Pool funds per fiscal year for demonstration projects designed to address alternative approaches to improve health care and reduce costs for the uninsured and underinsured on a cost-neutral basis. In PFY07, $4 million in Pool funds were allocated to demonstration projects. Chapter 58 of the Acts of 2006 increased the amount of funding available annually to $6 million beginning in HSN08.

Community Health Center Urgent Care Grant Program

In PFY07, Neighborhood Health Plan (NHP) was awarded $4 million in funding to manage a grant program that focuses on expanding urgent care services available at CHCs in order to reduce unnecessary emergency room (ER) use. CHCs that received these grants implemented strategies to expand both regular and urgent care hours of operation, increase capacity, and create multi-provider triage procedures. Over 21,000 additional medical visits have been provided as a direct result of this grant program, providing seed money for many of these services to continue in a self-sustaining manner. The funding also provided the opportunity to support increased communication and collaboration between participating centers and the emergency department located in their community. In November 2007, NHP sponsored a Best Practices forum, which brought together the participating CHCs to share experiences and lessons learned.

In HSN08, NHP was awarded $2 million to continue the grant program. In November 2008, DHCFP approved Neighborhood Health Plan's recommendations to finance a diverse set of projects with the continued goal of expanding urgent care access. Twenty-one project proposals were submitted to Neighborhood Health Plan for consideration, representing 30 different CHCs across Massachusetts. Final funding decisions were made based on quality and sophistication of project proposals, geographic diversity, and concentration of Health Safety Net users.

The Massachusetts Fishermen's Partnership

The Fishing Partnership Health Plan (FPHP) offers fishermen and their families the opportunity to purchase health insurance at a reduced rate, made possible through subsidized premiums provided by the HSN. The FPHP is a freestanding trust fund that operates separately from its primary sponsoring organization, the Massachusetts Fishermen's Partnership. In state fiscal year 2002 (FY02), the legislature allocated increased funding from $2 million to $3 million a year effective state FY03 through state FY07. In state FY08, funding was increased to $4 million.

The FPHP contracts with Harvard Pilgrim Health Care to offer fishermen and their families a comprehensive benefit package that includes access to Harvard Pilgrim's network of providers, mental health services, and pharmacy coverage. All fishermen, regardless of health status or current insurance coverage, may enroll in the plan. FPHP offers four tiers of membership depending on the income of the fishermen; as of September 2008, 1,895 fishermen and their family members were enrolled.

Community Health Center/Community Mental Health Center Grants

In PFY07, five CHC and CMHC partnerships were each awarded $20,000 through the CHC/CMHC Behavioral Health Services Demonstration project. The goal of the demonstration project was to improve the diagnosis and treatment of behavioral health disorders through enhanced coordination of care between providers. The CHCs were required to draw down funds using the MassHealth payment rates for CMHCs. These grant funds lasted much longer than DHCFP anticipated. Finding that the CHCs had expended very little by the grant expiration date of September 30, 2007, DHCFP extended the grants by one year to September 30, 2008. Even then, only two of the five recipients drew down the entire $20,000; one grantee spent $15,000 before discontinuing the partnership, and two spent less than $10,000.

Ecu-Health Care, Inc. and Hampshire Health Access

The Division provided $80,000 ($40,000 each) in Pool funds annually to the Ecu-Health Care program in North Adams and to the Hampshire Health Access program in Northampton as required by Chapter 47 of the Acts of 1997. These programs helped link local residents to affordable and accessible health care by assessing their eligibility for state programs such as MassHealth and the Children's Medical Security Plan (CMSP). If applicants were not eligible for a state program, they were referred to local physicians who agreed to treat patients at a reduced or no cost. In the state FY03 budget the legislature extended these projects through FY07. These projects were not funded in HSN08.

Related Regulations

114.6 CMR 13.00	Health Safety Net Eligible Services
114.6 CMR 14.00	Health Safety Net Payments and Funding

Collect, Analyze, and Disseminate Information about the Health Care Delivery System

The health care reform environment creates a new and critical need for high-quality information and analysis regarding the impact of the law and changes in the health care landscape. The capacity of the health care system to respond to trends and patterns depends, in part, upon the availability of accurate and useful information. To this end, the Division collects, analyzes, and disseminates information about the health care delivery system through data reported by providers, health plans, government entities, and through surveys of Massachusetts residents and employers.

The Division publishes information for all segments of the health care industry: government policy makers who need data and information to monitor the health care system and to evaluate the impact of various initiatives; purchasers who require information on utilization, quality and pricing; and providers who need information on the efficiency and quality of their business operations as well as for their peers. As part of the Division's health care research information program, the Division researches and publishes reports on the health care system in Massachusetts, with special emphasis on access, quality, and cost.

Data Collection and Monitoring

The Division collects and analyzes health care utilization and financial data. Patient-level data for acute hospital inpatients, observation patients, and emergency room patients is collected to support analyses of issues such as preventable hospitalizations, hospital market analysis, alternative care settings, the patient care continuum, and comparative costs and outcomes in acute care hospitals.

The Division also compiles annual cost reports from hospitals, community health centers, nursing and rest homes, and ambulatory care providers, such as home health agencies, private duty nurses, temporary nursing service agencies, adult day health providers, and ambulance and chair car providers. These data are used to support the health care pricing activities of the agency, as well as trend analyses of hospital costs, revenues, and utilization. In addition, the Division publishes quarterly and annual summaries and snapshots of acute hospital financial performance reports. This information allows the Division to monitor financial trends across the acute hospital industry and for individual hospitals.

To monitor the effect of health care reform implementation on the health care marketplace, the Division conducts surveys of Massachusetts residents and employers to gather data on prevalence of workplace-based coverage, insurance status, access, and attitudes about health care reform.

Health Care System Analyses and Reports

Reports are listed in reverse chronological order, with the most recent publication first in the list.

*Health Care in Massachusetts: Key Indicators (*June 2008, January 2008)

In January 2008, the Division released a new quarterly report, *Health Care in Massachusetts: Key Indicators*. *Key Indicators* provides an overview of the Massachusetts health care landscape through data reported by providers, health plans, government entities, and through surveys of Massachusetts residents and employers.

*Massachusetts Household Survey on Health Insurance Status 2007 (*June 2008)

The Division has administered a household survey on health insurance status since 1998. From 1998 through 2006 the survey was conducted every other year; beginning with the 2007 survey, it is now conducted annually. The number of Massachusetts residents without health insurance dropped significantly in 2007. The overall uninsured rate dropped to 5.7 percent in 2007, representing a 10 percent decline from 2006. The 2008 survey reports a further decline in the uninsured rate to 2.6 percent. This report is required under the Division's enabling statute M.G.L. c. 118G § 23.

Employers Who Had Fifty or More Employees Using MassHealth, Commonwealth Care, or the Uncompensated Care Pool in State FY07 (May 2008);
The Use of Public Health Assistance in Massachusetts in FY06: Employers Who Have Fifty or More Employees Using MassHealth or the Uncompensated Care Pool (February 2007)

These reports identify employers with 50 or more employees receiving health services through publicly subsidized programs. The May 2008 report provides information on the early months of implementation of health reform. For the first time, the report includes the cost of Commonwealth Care coverage provided to employees and their non-working spouses, as this new program was implemented during state FY07. The report also provides information on MassHealth and Uncompensated Care Pool expenditures for employees, non-working spouses, and dependents. The report is required by Chapter 149 § 304 of the Acts of 2004.

Massachusetts Health Care Cost Trends: 1991-2004 (February 2008)

This study examines trends in Massachusetts health care expenditures using national trends as a benchmark for comparison. Significant findings include health spending in Massachusetts more than doubled between 1991 and 2004, and in that same time period per capita spending doubled slightly higher than for the US trend overall.

Report on Nursing Facility and Rest Home Payment Rate Appeals (February 2008)

Line Item 4100-0060 of Chapter 61 of the Acts of 2007 required the Division to submit a report to the House and Senate Committees on Ways and Means and the Joint Committee on Health Care Financing "detailing rate or other payment appeals submitted to the Division by skilled nursing facilities and rest homes." This report contains a description of the administrative appeals process and current status of nursing facility and rest home appeals pending at the Division of Administrative Law Appeals.

Massachusetts Employer Survey 2007 (December 2007)

This report, as required by M.G.L. 118G § 23, surveys employer health insurance offer rates, employee take-up rates, employer contribution rates, and employee cost sharing. Survey results found that nearly three-quarter of Massachusetts employers offer health insurance to their employees. The report notes that the offer rate has remained stable with no statistically significant change, even as the national offer rate declined to 60 percent in 2007 from 68 percent in 2001. Virtually all employers with more than 50 employees offer coverage while very small employers are much less likely to offer health insurance.

Analysis in Brief: Non-Emergent and Preventable ED Visits, FY05 (February 2007)

This analysis examines non-emergent and preventable emergency department (ED) visits using fiscal year 2005 (FY05) data and explores the factors that may contribute to differences in ED usage rates among Massachusetts residents. It also highlights policy questions related to access to primary care and the health care seeking patterns of Massachusetts residents.

Your Guide to Managed Care in Massachusetts (January 2007)

The purpose of this guide is to help consumers learn the differences between different types of health insurance, choose a health plan based on needs, file an appeal or complaint with health plans, and find additional information on health plans. This report is required by M.G.L. c. 118G § 24.

Analysis in Brief: Massachusetts Health Expenditures Accelerating (November 2006)

Every five years the Centers for Medicare and Medicaid Services (CMS) publishes the State Health Expenditure Accounts (SHEA), a state by state accounting of health care expenditures. In September 2000, the Division published its first issue of *Analysis in Brief* entitled "Massachusetts Health Care Expenditures," which summarized and analyzed CMS's 1998 SHEA data for Massachusetts. This analysis updates the 2000 study using CMS's 2004 SHEA data and reports on the acceleration of health expenditures in Massachusetts from 2000 to 2004.

Analysis in Brief: Hospital Resource Use on End-of Life Patients Varies (July 2006)

The Division used statewide hospital discharge data to explore a narrow area of end-of-life care: inpatient resource use during hospitalizations that culminated in patient death (terminal hospitalizations). The Division analyzed various factors that could affect variation in resource use among Massachusetts hospitals during these terminal hospitalizations.

Uncompensated Care Pool / Health Safety Net Reports

Chapter 58 created the Health Safety Net (HSN) to replace the Uncompensated Care Pool (Pool). Although the transition occurred in October 2007, in FY07 and FY08, the Division continued to produce quarterly, annual, and utilization reports on the Pool, as required by statute. The Pool Fiscal Year (PFY) covers activity from October 1 through September 30. Data for the first HSN reporting Year, HSN08, runs from October 1, 2007 to September 30, 2008, therefore it spans both FY08 and FY09.

Uncompensated Care Pool Fiscal Year 2007 Utilization Report (December 2007)

As required by Chapter 61 of the Acts of 2007, this report provides information on the number of individuals using the Pool, the total dollar amount billed to the Pool, the demographics of Pool users, and the types of services paid for by Pool funds during PFY07. In PFY07, medical expenses for an estimated 416,635 individuals were billed to the Pool. Seventy-two percent of these claims were for uncompensated care services provided by hospitals. An additional 8 percent of claims were for emergency services provided by hospitals that resulted in bad debt (ERBD). Services provided by freestanding community health centers represented the remaining 20 percent of total service volume.

Uncompensated Care Pool Fiscal Year 2007 Q1 Quarterly Report (August 2007)

The Division files quarterly reports providing information on the number of inpatient admissions and outpatient visits by age category, income category, diagnostic category and average charge per admission. This report was required by the Division's line item language (4100-0060) in Chapter 139 of the Acts of 2006 (FY07 State Budget).

Uncompensated Care Pool Fiscal Year 2006 Annual Report (July 2007)

As required by Chapter 139 of the Acts of 2006, the Division submitted this annual report on the demographics and utilization patterns of individuals whose medical care is paid for by the Pool. This annual report covers Pool activity during PFY06 from and reports on the number of inpatient discharges and outpatient visits by age, income, and diagnostic category, as well as average charge per inpatient discharge and outpatient visit, and other statistics pertinent to monitoring the Pool.

Hospital Financial Performance Reports

The Division prepares quarterly and annual hospital financial reports in response to M.G.L. c. 118G, section 8, which requires the Division to annually assess and report on Massachusetts acute hospital financial performance. The report provides a statewide analysis of acute hospital audited financial data and is accompanied by individual hospital fact sheets detailing individual hospital financial trends.

Quarterly Acute Hospital Financial Report, FY07 Q3 (October 2007)

Quarterly Acute Hospital Financial Report, FY07 Q2 (August 2007)

Quarterly Acute Hospital Financial Report, FY07 Q1 (June 2007)

FY06 Annual Acute Hospital Financial Report (May 2007)

FY05 Annual Acute Hospital Financial Report (July 2006)

Mandated Benefit Reports

M.G.L. c. 3 § 38C requires the Division, when requested by a committee of the general court, to conduct a review and evaluation of a mandated health benefit proposal in consultation with other relevant state agencies, the party or organization on whose behalf the bill was filed, and other interested parties. The Division may contract with an actuary, or economist as necessary to complete its analysis. The report shall include, at a minimum and to the extent that information is available, the following: (1) the financial impact of mandating the benefit, (2) the medical efficacy of mandating the benefit, and (3) if the legislation seeks to mandate coverage of an additional class of practitioners, the results of any professionally acceptable research demonstrating the medical results achieved by the additional class of practitioners relative to those already covered and the methods of the appropriate professional organization that assures clinical proficiency.

Review and Evaluation of Legislation Related to Eating Disorders, House Bill No. 3425 (October 2007)

The Joint Committee on Financial Services referred proposed House Bill 3024, entitled "An Act for Certain Health Care Insurance Coverage," to the Division for a review and evaluation on January 23, 2006. The bill would add "eating disorders" to the current list of nine biologically based mental disorders for which insurers may not impose dollar and service limitations.

Support Pricing Policy for Public Purchasers of Health Care Services

In accordance with Massachusetts General Law chapter 118G, the Division determines rates of payment for medical services purchased by Massachusetts government agencies and those purchased pursuant to workers' compensation. MassHealth is the largest state-run program for which the Division sets payment rates. The Division sets rates of payment for nursing facilities, community health centers, home health agencies, independent practitioners, and other health care providers. In addition, the Division sets rates that may be paid by private sector payers such as non-contracting industrial accident payers and the maximum rates that may be charged by temporary nursing agencies to hospitals and nursing facilities. The Division's objective is to set rates of payment that support the procurement of quality health care services in the most efficient manner possible.

The Division maintains more than 50 regulations detailing payment methods and rates for various provider groups and medical services. The Division is required to review its payment rates for institutional providers on annual and biennial bases.

Health Care User Fee Assessment Programs

The Division also administers the nursing facility user fee program, which requires nursing facilities to pay $145 million per year to the Commonwealth in the form of a per-day fee assessed on all non-Medicare resident days. The Commonwealth uses funds generated by this program to fund Medicaid rates for nursing facilities and to compensate the Division for activities related to the administration of the program. As a result of this program, the Commonwealth is able to receive $143.5 million in additional federal funds, resulting in a total rate increase of $288.5 million for nursing facilities.

In FY07, the Division revised the user fee structure by implementing the provisions of a waiver received from the Centers for Medicare and Medicaid Services (CMS). Chapter 149 of the Acts of 2004 required the Executive Office of Health and Human Services to apply to CMS for a waiver to mitigate the impact of the user fee on certain classes of facilities. This waiver was approved by CMS on June 6, 2006 and the Division adopted emergency regulations on July 1, 2006 to implement this waiver. Under the new regulation, nursing facility beds that are part of a continuing care retirement community or a residential care facility are assessed a reduced fee of 10 percent of the standard fee. In addition, certain large non-profit facilities that participate in the Medicaid program are also assessed this reduced fee. Certain smaller facilities that do not participate in the Medicare or Medicaid programs are exempt from the user fee.

Related Regulations

The Division promulgated 19 regulations with effective dates beginning in FY07. The Division promulgated 22 regulations with effective dates beginning in FY08.

114.1 CMR 17.00	Requirement for the Submission of Hospital Case Mix and Charge Data
114.1 CMR 29.00	Rate and Charge Determination for Certain Intermediate Facilities for the Mentally Retarded Operated by the Department of Mental Retardation
114.1 CMR 36.00	Acute Care Hospital Charges and Rates of Payment for Certain Publicly Assisted Individuals
114.1 CMR 41.00	Rates of Payment for Services Provided to Industrial Accident Patients by Hospital
114.1 CMR 42.00	Hospital Financial Reports
114.2 CMR 4.00	Resident Care Facilities: Rest Homes
114.2 CMR 6.00	Standard Payments to Nursing Facilities
114.3 CMR 4.00	Rates for Community Health Centers
114.3 CMR 6.00	Rates of Payment for Mental Health Services Provided to Community Health Centers and Mental Health Centers
114.3 CMR 7.00	Psychiatric Day Treatment Center Services
114.3 CMR 8.00	Outpatient Tuberculosis Control Services
114.3 CMR 9.00	Independent Living Services for the Personal Care Attendant Program
114.3 CMR 10.00	Adult Day Health Services
114.3 CM 12.00	Family Planning Services
114.3 CMR 13.00	Rates for Freestanding Clinics Providing Abortion and Sterilization Services

114.3 CMR 14.00	Dental Services
114.3 CMR 15.00	Vision Care Services and Ophthalmic Materials
114.3 CMR 16.00	Surgery and Anesthesia Services
114.3 CMR 17.00	Medicine
114.3 CMR 18.00	Radiology
114.3 CMR 20.00	Clinical Laboratory Services
114.3 CMR 22.00	Durable Medical Equipment, Oxygen, and Respiratory Therapy Equipment
114.3 CMR 23.00	Hearing Aid Dispensers
114.3 CMR 27.00	Ambulance Services
114.3 CMR 28.00	Chiropractic Services
114.3 CMR 29.00	Psychological Services
114.3 CMR 30.00	TEAM Evaluation Services
114.3 CMR 31.00	Prescribed Drugs
114.3 CMR 34.00	Prostheses, Prosthetic Devices, and Orthotic Devices
114.3 CMR 37.00	Chronic Maintenance Dialysis Treatments and Home Dialysis Supplies
114.3 CMR 39.00	Rehabilitation Clinic Services, Audiological Services, and Restorative Services
114.3 CMR 40.00	Rates for Service Under M.G.L. c. 152, Worker's Compensation Act
114.3 CMR 43.00	Hospice Services

114.3 CMR 45.00	Temporary Nursing Services
114.3 CMR 46.00	Rates for Certain Substance Abuse Programs
114.3 CMR 47.00	Freestanding Ambulatory Surgical Facilities
114.3 CMR 48.00	Day Habilitation Program Services
114.3 CMR 49.00	Rates for Early Intervention Program Services
114.3 CMR 50.00	Home Health Services
114.3 CMR 51.00	Adult Foster Care
114.3 CMR 52.00	Rates of Payment for Certain Children's Behavioral Health Services
114.5 CMR 2.00	Disclosure of Hospital Case Mix and Charge Data
114.5 CMR 4.00	Rates for Certain Social, Rehabilitation, and Health Care Consultant Services
114.5 CMR 9.00	Criteria and Procedures for Awarding One-time Grants to Community Health Centers
114.5 CMR 10.00	Criteria and Procedures for Awarding One-time Grants to Non-profit Providers of Elder Care Service
114.5 CMR 11.00	Criteria and Procedures for the Submission of Health Plan Data
114.5 CMR 12.00	Nursing Facility User Fee
114.5 CMR 14.00	Administration of Grants to Certain Community Health Centers

Oversee the Student Health Insurance Program

Since September 1989, Massachusetts law, G.L. c.15A, § 18, has required every full-time and part-time student enrolled in an institution of higher learning in Massachusetts to participate in a student health insurance program or in a health benefit plan with comparable coverage. A part-time student is defined as a student participating in at least 75 percent of the full-time curriculum.

The Division's regulation, 114.6 CMR 3.00, implements the student health insurance requirement and sets forth the minimum benefit levels and services required for a student health insurance program (SHP). The regulation also establishes the criteria by which a school may waive a student's participation in SHP upon demonstration of comparable insurance coverage. The Division also oversees and monitors compliance with these standards.

Related Regulation

114.6 CMR 3.00 Student Health Insurance

Administration

This section provides information about the FY07 and FY08 appropriations, as well as funding and revenue sources for the Division. It also includes an overview of the audits conducted by the Division.

Appropriation and Revenue

- The FY07 appropriation for the Division was $12,836,110 and the FY08 appropriation was $13,979,008
- The Division assesses acute hospitals for not less than 65 percent of its expenses; this totaled $9,807,816 in FY07 and $10,857,717 in FY08
- The Division also receives Federal Financial Participation for the Medicaid and Pool/HSN administrative expenses, which totaled $5,782,822 in FY07 and $6,853,670 in FY08
- Revenue from the sale, licensure, royalty, and usage fees of the Division's health care data generated $179,849 in FY07 and $102,527 in FY08

Audits

Desk Reviews and Field Audits
The Division maintains an array of review, screening and quality-control functions to support the agency's pricing policies and information reports. These include "desk reviews" by auditors of provider cost reports and other documents. The Division also conducts "field audits."

The Division reviews annual cost reports of 66 acute hospitals, representing $19.3 billion in net revenues in FY06 and $17.4 billion in expenses for the same year. Additionally, the Division collects quarterly and annual financial statements from acute hospitals and desk reviews the annual filings. The agency also reviews the annual cost reports of six intermediate care facilities for the mentally retarded (ICF-MRs), representing $214 million in patient care costs, as well as 40 community health centers (CHCs) representing $442 million in expenses.

The Division desk reviews other ambulatory care providers' cost reports as well, including 248 temporary nursing service (TNS) providers and 46 ambulance providers. Other ambulatory care provider cost reports such as 112 home health aides (HHA), 109 adult day health (ADH) and 44 private duty nursing (PDN) are also collected for use by the Division's pricing analysts.

The Division is responsible for collecting and reviewing cost and utilization data from 429 nursing homes and 82 rest homes, and collects annual data from nursing homes on payments to specific types of employees to ensure compliance with legislative directives.

FY07

The following desk and field reviews were conducted during FY07 for state FY06:

Nursing Homes for Compliance with the Commonwealth's $50 Million Direct Care Add-on

Desk and field audit reviews	35
Recovery after desk/field reviews	4
After analytical reviews – No recovery	383
Total nursing homes	422

Review findings determined that MassHealth could recover $380,622 as a result of the Division's work.

FY08

The Financial Analysis Unit has completed the FY07 nursing home direct care add-on reviews.

The Division required 54 nursing homes to file the report that detailed how the home expended their add-on revenue. The selection for the 54 homes was based on facilities that either had recoveries or issues in previous filings, a selection of one facility from within each major management group and the remainder was randomly selected.

After the filings were received and reviewed, the Division identified 9 of the 54 nursing homes for further review and audit. The purpose of the audit was to substantiate the amounts reported in the filing.

The results of the audits determined that:

- 8 of the selected homes were in compliance and demonstrated that they had expensed the add-on funds appropriately
- 1 nursing home, Willimansetts West, located in Chicopee received funds of $125,908 and had not expended the funds appropriately. As a result, the funds to be recovered along with the incurred penalty total $149,568. This recovery and penalty was reported to Mass Health and the funds have been recovered.

Appendix A: Public Hearings

Public Hearing Process

The Division is required to meet the requirements of M.G.L. c. 30A, the Administrative Procedures Act, in promulgating regulations. The regulatory process includes the following requirements:

- Prior approval of regulatory proposals by ANF under EO485
- Posting of proposed regulations and Notice of Public Hearing on Division website
- Notice to Advisory Council (at least 60 days before adoption)
- Notice to Massachusetts Municipal Association and the Executive Office of Communities and Development (at least 14 days before newspaper publication)
- Newspaper publication of Notice of Public Hearing (at least 21 days before hearing)
- Massachusetts Register publication of Notice of Public Hearing (at least 10 days before hearing)
- Public hearing to permit interested parties to testify in person or submit written testimony

FY07 and FY08 Public Hearings

Below is a listing of the Division's regulations, related dates of public hearings, and summaries of adopted regulations including effective dates.

DHCFP Regulation	Public Hearing	Summary of Adopted Regulation and Effective Date
114.5 CMR 16.00: Determination of Employer Fair Share Contribution	08/08/06	Established the standards by which an employer was determined to have or have not made a "fair and reasonable" contribution to the health care costs of its workers. All employers with 11 or more full time equivalents (FTEs) would need to have either 25 percent participation among full-time employees in a group health plan or offer to make at least a 33 percent contribution towards the cost of a group health plan premium to be exempt from needing to make an annual Fair Share Contribution of up to $295 per FTE. Effective 10/01/06.

114.5 CMR 12.00: Nursing Facility User Fee	08/09/06	Established four classes of nursing facilities and established a non-uniform user fee to comply with the FY05 budget. Class II facilities are non-profit continuing care retirement communities and residential care facilities. Class III facilities are non-profit facilities that participate in Medicaid and provided more than 66,000 Medicaid bed days in FY2005. Class IV facilities have (1) have 100 or fewer licensed; and (2) were established and licensed in Massachusetts prior to July 30, 1965; and (3) are not participating in either of the Medicare or Medicaid programs. Class IV facilities are located in Essex, Middlesex, and Suffolk counties and meet criteria (1) and (2) above but that do not participate in the Medicaid program. Class 1 facilities are all other facilities. The established user fee for Class 1 is $11.30; for Class II and III is $1.13 and for Class IV is zero. Effective 07/01/06.
114.3 CMR 16.00: Surgery and Related Anesthesia Services	09/06/06	Amendments adopted on an emergency basis to implement the $13.5 million in physician rate increases as required by Chapter 58 of the Acts of 2006 and the FY07 budget. The amendments also added two cancer-screening codes (G0121 and G0105) to set pricing to encourage provision of these preventive procedures. The fiscal impact for surgical services was $3.489 million (5.38 percent increase). Effective 07/06/06.
114.3 CMR 17.00: Medicine	09/06/06	Amendments adopted on an emergency basis to implement the $13.5 million in physician rate increases as required by Chapter 58 of the Acts of 2006 and the FY07 budget. The fiscal impact for medical services was $8.516 million (6.12 percent increase). Effective 07/06/06.
114.3 CMR 18.00: Radiology	09/06/06	Amendments adopted on an emergency basis to implement the $13.5 million in physician rate increases as required by Chapter 58 of the Acts of 2006 and the FY07 budget. The fiscal impact for radiological services was $1.495 million (5.5 percent increase). Effective 07/06/06.
114.2 CMR 6.00: Standard Payments to Nursing Facilities	09/26/06	Amendments increased aggregate annual nursing facility payment rates by 2 percent. The revised payments reflect the application of a 1.28 percent Cost Adjustment Factor to 2006 rates; and an additional 1.42 percent increase to ensure that aggregate nursing facility payments were increased by at least $30.5 million as required by the FY07 budget. Effective 09/01/06.

114.6 CMR 11.00: Administration of the Uncompensated Care Pool	09/27/06	Amendments set forth the funding for and payments from the Pool for PFY07 in accordance with the provisions of Section 124 of Chapter 58 of the Acts of 2006. Total funding for PFY07 was set at $610 million. Effective 10/01/06.
114.3 CMR 46.00: Substance Abuse	10/03/06	Amendments implemented the provisions of Chapter 147 of the Acts of 2006 that authorized a $20 per diem increase in the rates for residential rehabilitation program services purchased by the Department of Public Health, the only public agency that purchases residential rehabilitation services. The Division adopted these amendments on an emergency basis in order to implement the changes for FY07. As a result of these amendments, DPH expenditures increased by $8 million. Effective 07/01/06.
114.5 CMR 2.00: Disclosure of Hospital Case Mix and Charge Data	10/12/06	Amendments make available the unencrypted physician license number through the Division's confidential data access process, with additional safeguards in place to protect patient confidentiality and provide additional reviews for physician license number data requests. The additional safeguards include a second level of review for access to physician license number by a newly created Data Review Board (DRB), enhanced data release restrictions for ten records or fewer for physician license number, pre-publication review by the DRB, and advance notification to MHA and MMS prior to release of a report containing physician data. The effective date is 11/15/06.
114.1 CMR 42.00: Hospital Financial Reports	Public Comment Period 10/20/06	Amendments eliminated the requirement that acute hospitals file a quarterly report for the fourth quarter of the fiscal year. Hospitals will continue to file an annual financial report within 100 days after the end of the fiscal year. Effective 11/15/06.
114.3 CMR 4.00: Rate for Community Health Centers	10/26/06	Amendments increased the medical visit rates for freestanding community health centers by 14.3 percent. Effective 10/1/06.
114.1 CMR 29:00: Rate and Charge Determination for Certain Intermediate Care Facilities for the Mentally Retarded Operated by the Department of Mental Retardation	01/09/07	Amendments did not change the rate methodology but were proposed to update the regulation for the current year. Initial rates for each facility are based on the base year cost report (two years prior to the rate year) inflated to the rate year. Final rates for each facility are set based on the cost report filed for each calendar year. Effective 01/01/07.

114.3 CMR 23.00: Hearing Aid Dispensers	01/17/07	Amendments increased the dispensing fees for monaural and binaural hearing aids and removed the cap on the mark-up for major repairs. All other rates (excluding service codes only reimbursed at cost or at cost plus a percentage mark-up) were increased by the 2.5 percent cost adjustment factor. MassHealth fiscal impact was estimated at $587,651 or 14.2 percent over FY05 spending. Effective 01/01/07.
114.2 CMR 4.00: Rates of Payment to Resident Care Facilities	01/24/07	Amendments rebased rates to reflect 2004 costs, increased the variable cost cap to $82.44, and applied a cost adjustment factor of 3.93 percent. Amendments also allowed adjustments to prevent rate decreases and, for rates above $63.41, to limit rate increases to 5 percent, as well as to make the effects of the increases retroactive to 7/1/2006. Rates increased by 2.38 percent. Effective 01/01/07.
114.3 CMR 50.00: Home Health Services	01/25/07	Amendments increased rates for home health services; skilled nursing visit rate was increased by 4.59 percent; rates for physical, occupational and speech therapy were increased by 13.77 percent; rates for continuous skilled nursing were increased an average by 9.75 percent. Also added a new rate for skilled nursing visits made to members in the same household and removed the temporary transitional adjustment that was added in 1997. MassHealth fiscal impact was estimated at $6.76 million. Effective 01/01/07.
114.3 CMR 6.00: Rates of Payment for Mental Health Services Provided in Community Health Centers and Mental Health Centers	02/27/07	Amendments increased rates for individual, family, and couples therapy rates by 0.8 percent. Medication service rates for child psychiatry services were increased by 27 percent to promote access. Effective 03/01/07.

114.3 CMR 34.00: Prostheses, Prosthetic Devices and Orthotic Devices	05/02/07	Amendments established a revised fee schedule. For products with a published Medicare fee, the payments were set based on a percentage of the 2007 Medicare rate. Custom fabricated products are 93.47 percent; prefabricated products are 88.47 percent; and off-the-shelf products are 83.47 percent of the 2007 Medicare rate. For codes for which there is a current rate but no Medicare fee, the amendments increase the current rates by a Cost Adjustment Factor (CAF) of 10.03 percent. The procedure codes were updated to 2006 HCPC coding and the amendments provided that the Division may establish prices by administrative bulletin for any new HCPC code based on the percentage of Medicare rate for each type of product. The amendments also changed the methodology used to price products for which no rate is established (individual consideration). Markups were established at +70 percent for custom fabricated products; +50 percent for prefabricated items; and +40 percent for off-the-shelf items. Effective 06/01/07.
114.3 CMR 37.00: Chronic Maintenance Dialysis Treatments and Home Dialysis Supplies	05/03/07	Amendments updated the MassHealth rates for dialysis treatments and prescribed drugs to reflect the current Medicare rates. MassHealth fiscal impact was estimated to increase by $28,225 or 0.4 percent based on FY06 expenditures. Effective 06/01/07.
114.3 CMR 16.00: Surgery and Related Anesthesia Services	06/27/07	Amendments implemented a $13.5 million increase to physician rates as required by Chapter 58 of the Acts of 2006 and the FY08 budget. The fiscal impact for surgical services was $1.935 million (2.75 percent increase). Effective 07/01/07.
114.3 CMR 17.00: Medicine	06/27/07	Amendments implemented a $13.5 million increase to physician rates as required by Chapter 58 of the Acts of 2006 and the FY08 budget. Services related to medical nutrition therapy and diabetes self-management training were also added as new services. The fiscal impact for medical services was $12.372 million (8.35 percent increase). Effective 07/01/07.
114.3 CMR 18.00: Radiology	06/27/07	Amendments implemented a $13.5 million increase to physician rates as required by Chapter 58 of the Acts of 2006 and the FY08 budget. The fiscal impact for radiological services was a decrease of $0.787 million (2.68 percent decrease). Effective 07/01/07.

114.3 CMR 13.00: Rates for Freestanding Clinics Providing Abortion and Sterilization Services	07/12/07	Amendments included rate increases and changes in rate methodology to better reflect provider resources needed to deliver abortion and sterilization related services. Annualized fiscal impact of $133,348 or 10.23 percent increase was anticipated for MassHealth abortion and sterilization freestanding clinic service spending. Effective 08/01/07.
114.3 CMR 8.00: Outpatient Tuberculosis Control Services	07/19/07	Amendments included rate increases and changes in rate methodology. The three tuberculosis clinic visit levels (A1, A2, B) were based on the comparable services found in the Division's Medicine (114.3 CMR 17.00), Radiology (114. 3 CMR 18.00) and Home Health Services (114.3 CMR 50.00) regulations. The aggregate annual expenditures by the Department of Public Health, which is the primary purchaser of these services, was estimated to increase by $81,064 or 8.09 percent based on FY06 utilization. Effective 08/01/07.
114.6 CMR 13.00: Health Safety Net Eligible Services	08/22/07	Amendments specified the Reimbursable Services to be paid by the HSN, which are consistent with the services covered by MassHealth Standard; established criteria for Medical Hardship for medical debt based on a defined percentage of income based on a sliding scale, without regard to assets. Effective 10/01/07.
114.6 CMR 14.00: Health Safety Net Payments and Funding	08/22/07	Amendments established payment methods from the HSN to hospital and community health centers for services provided to low-income patients. Effective 10/01/07.
114.5 CMR 18.00: Health Insurance Responsibility Disclosure	09/05/07	New regulation required that employers submit Employer Health Insurance Responsibility Disclosure (HIRD) forms providing information about work force and group health insurance offerings, as well as to collect Employee HIRD forms from all employees that turn down offers of group health insurance or to participate in a company's Section 125 cafeteria plan. The Employee HIRD forms were to be collected by the company and kept on file for three years. Effective 01/20/07.

114.5 CMR 17.00: Employer Surcharge for State-Funded Health Costs	09/06/07	New regulation to govern the surcharge assessed on employers that do not comply with the requirements of M.G.L. c. 151F to adopt and maintain a Section 125 cafeteria plan for payroll deductions for health insurance premiums in accordance with Commonwealth Health Insurance Connector regulations at 956 CMR 4.99. The surcharge is assessed for State Funded Health Costs incurred for its Employees or Employee Dependents not offered participation in the Employer's Section 125 cafeteria plan. Effective 07/01/07.
114.3 CMR 20.00: Clinical Laboratory Services	09/11/07	Amendments priced most services at 74.67 percentage of the Massachusetts Medicare payment for each service, reduced from 81 percent. . Exceptions to the 74.67 percent methodology were: specialized HIV drug resistance test codes (87901, 87903, and 87904), drug testing codes (80100, 80101), thin Prep PAP Tests (88142, 88143), breast and ovarian cancer tests (S3820). The fiscal impact was an annualized cost savings of $6.55 million or 9.08 percent over FY06 spending for MassHealth. Effective 10/01/07.
114.3 CMR 14.00: Dental Services	09/18/07	Amendments increased most EPSDT (children under 21) rates for the top 20 most utilized codes by 5.35 percent with all other rates increased by 1.02 percent. An equal rate for both adults and children was established for D9920 behavioral management. With the exception of behavioral management, all adult rates increased by 8.81 percent. The MassHealth fiscal impact was estimated at an additional $9.8 million or 5.8 percent over FY07 spending. Effective 10/01/07.
114.2 CMR 6.00: Standard Payments to Nursing Facilities	09/20/07	Amendments updated the base year from 2002 to 2005 with a cost adjustment factor of 6.5 percent applied to 2005 costs. The capital payment for new beds was increased and the Direct Care Add-On was eliminated as those costs are reflected in the updated base year. The estimated fiscal impact was $81.3 million. Effective 08/01/07.
114.3 CMR 4.00: Rates for Community Health Centers	10/23/07	Amendments increased the medical visit rate for freestanding community health centers by 10.2 percent. Effective 10/01/07.

114.3 CMR 10.00: Adult Day Health Services	11/13/07	Amendments increased the rate for Basic Adult Day Health services by 6 percent. Complex Level-of Care payment rates were increased by 7.9 percent, and Health Promotion and Prevention rates were increased by 1 percent. Effective 11/01/07.
114.2 CMR 6.00: Standard Payments to Nursing Facilities	12/11/07	Amendments established a new standard payment rate for medical and non-medical leave of absence days at $80.10 per day. The payment methodology for state-operated facilities was revised in accordance with federal amendments clarifying cost limits for government-operated facilities; expenditures decreased by $2.4 million. Effective 12/01/07.
114.3 CMR 29.00: Psychological Services	12/12/07	Amendments increased the underlying hourly rate for psychological testing by 19.52 percent, authorized informational bulletins and incorporated replacement codes. Effective 01/01/08.
114.3 CMR 7.00: Psychiatric Day Treatment Center Services	12/13/07	Amendments increased service rates by 4.96 percent based on an analysis of provider cost reports. In addition, standard coding language was incorporated pertaining to Disclaimer of Authorization of Services, Coding Updates and Administrative Bulletins. Effective 01/01/08.
114.3 CMR 12.00: Family Planning Services	12/20/07	Amendments increased rates to all medical visit rates and expanded number of procedure codes that providers may bill under this regulation. The impact upon MassHealth spending was projected at $40,000. The fiscal impact upon DPH spending was projected at $194,000 based upon 2006 usage data for both programs. Effective 01/01/08.
114.2 CMR 4.00: Rates of Payment to Resident Care Facilities	01/16/08	Amendments were adopted on an emergency basis to establish two sets of rest home rates. Effective 12/01/07, the Division increased the allowable variable costs of 2007 rates by an additional 0.95 percent and added an adjustment to make the effects of the increase retroactive to 07/01/07. Effective 01/01/08, the Division rebased rates to reflect 2005 costs, increased the variable cost cap, inflated allowable variable costs by 6.63 percent, and included an adjustment to prevent rate decreases. DTA expenditures increased by 4.16 percent. Effective 12/01/07.

114.1 CMR 36.00: Acute Care Hospital Charges and Rates of Payment for Certain Publicly Assisted Individuals	01/23/08	Amendments incorporated the FY08 payment methodology changes in the EOHHS RFA acute hospital contract for MassHealth payments to Disproportionate Share Hospital, emergency services not covered by the RFA, and Sole Community Providers. MassHealth fiscal impact for all acute hospital services under both the regulation and the RFA was a $70.6 million increase. Effective 12/01/07.
114.3 CMR 45.00: Temporary Nursing Services	01/29/08	Amendments updated the wage and benefit components so that the nursing facility wage data was based on the 2006 nursing home cost reports and the hospital wage data was based on the 2006 hospital cost reports. The administrative component was based on the 2006 TNS cost report. The Division proposed using the 2006 hospital cost report for the geographic wage adjustment instead of CMS regional data. Due to testimony received at the hearing, concerning the change in source data for the geographic adjustment, the hospital rates were not adopted. Effective 03/01/08 for nursing facility rates only.
114.3 CMR 9.00: Independent Living Services for the Personal Care Attendant Program	01/31/08	Amendments provided for further changes in wages, subject to the new collective bargaining law, to be posted by the Division via informational Bulletin. The Division increased the rates for Personal Care Management services by $924,000, an aggregate fiscal impact of 9.18 percent for MassHealth spending for these services. Effective 01/01/08.
114.3 CMR 48.00: Day Habilitation Program Services	03/05/08	Amendments increased the payment rates for 15-minute units of community day habilitation services. The rates resulted from a revised pricing methodology based on program staffing ratios and needs. The estimated increase in annual MassHealth expenditures is $5.88 million (5.52 percent). Effective 2/15/08.
114.3 CMR 15.00: Vision Care Services and Ophthalmic Materials	03/11/08	Amendments increased the rates by a cost adjustment factor of 1.12 percent. The non-emergency transportation code (T2002) was increased from $3.85 to $9.14. Estimated fiscal impact was $138,000. Effective 03/01/08.

114.3 CMR 27.00: Ambulance Services	04/15/08	Amendments increased payment rates for ambulance and chair car transport services, and added an air ambulance transport rate. The estimated aggregate annual expenditures by MassHealth was $1.27 million, consisting of an increase of $794,000 or 2 percent for ambulance and chair car services, and $475,000 for air ambulance services. Effective 05/01/08.
114.3 CMR 45.00: Temporary Nursing services	04/25/08	Amendments changed the rates for services provided to hospitals. The Division held a public comment period due to testimony received on 01/29/08 concerning the calculation of the hospital rates. The proposed geographic wage adjustment was modified to a geographic wage index that is a combination of regionally specific data and statewide data. Effective 05/05/08 for hospital rates. .
114.3 CMR 51.00: Adult Foster Care	05/06/08	New regulation to establish rates for five separate adult foster care services: AFC Level 1, AFC Level 2, Intake and Assessment, and two Alternative Placement services. The fiscal impact was $3.6 million or 20.14 percent over FY07 spending. Effective 05/01/08.
114.3 CMR 46.00: Rates for Certain Substance Abuse Programs	06/11/08	Amendments increased the rates for Acute Treatment Services and realigned service definitions with the Department of Public Health (DPH) revised regulations. The annualized MassHealth fiscal impact was estimated at $419,748 or 16.86 percent over FY07 spending and DPH expenditure increased by an estimated $987,009 or 10.92 percent. Effective 07/01/08.
114.6 CMR 14.00:Health Safety Net Payments and Funding	Public Comment Period 06/13/08	Amendments revised the payment methods for hospital and community health center services funded by the HSN. Provider payments were revised effective 10/01/08 to reflect changes in the Medicare payment system.

FY07 Rescinded Regulations

Below is a listing of the Division's regulations rescinded in FY07. On March 13, 2007, the Division rescinded 21 obsolete regulations that were either superseded by other regulations or pertained to programs now administered by another agency.

Rescinded Regulations
114.1 CMR 4.00: Determination of Reasonable Operating Costs and Exclusions for Third party Reimbursements to be Followed in the Preparation of Rate Setting Commission Reporting Forms
114.1 CMR 25.00: A Regulation for Review of Acute Hospital Charges; For Determination of Acute Hospitals Approved Gross Patient Service Revenue, Medicaid Rates of Payment, Other Public Assistance Rates of Payment and Industrial Accident Rates of Payment; and for the Administration of the Statewide Uncompensated Care Pool
114.1 CMR 28.00: Systems for Review and Approval of Non-Acute Hospital Charges, Publicly Assisted Rates of Payment, and Industrial Accident Rates of Payment
114.1 CMR 33.00: Review and Approval of Acute Hospital Charges and Determination of Rates of Payment by Third Party Payors other than Medicare
114.1 CMR 37.00: Systems for Review and Approval of Charges, Publicly Assisted Rates of Payment, and Industrial Accident Rates of Payment for Certain Chronic/Rehabilitation Hospitals
114.1 CMR 38.00: System for Review and Approval of Non-Acute Hospital Charges
114.2 CMR 3.00: Perspective Rate Determination for Intermediate Care Facilities for the Mentally Retarded
114.3 CMR 3.00: Home Health Agency Services
114.3 CMR 24.00: Private Duty Nursing Care
114.3 CMR 26.00: Podiatric Care
114.6 CMR 4.00: Labor Shortage Fund
114.6 CMR 7.00: Administration of the Acute Hospital Uncompensated Care Pool Under M.G.L. c. 118 G.
114.6 CMR 8.00: Participation of Community Health Centers in the Acute Hospital Uncompensated Care Pool Under M.G.L. c. 118 G.
117 CMR 2.00: Administration of Acute Hospital Uncompensated Care Pool and Criteria for Credit and Collection Policies
117 CMR 3.00: Student Health Insurance
117 CMR 4.00: Labor Shortage Fund
117 CMR 5.00: Health Care for the Unemployed
117 CMR 6.00: Uncompensated Care Assessments and Payments to Acute Care Hospitals

117 CMR 7.00: Administration of Acute Hospital Uncompensated Care Pool and Criteria for Credit and Collection Policies
117 CMR 8.00: Participation of Community Health Centers in the Acute Hospital Uncompensated Care Pool
117 CMR 9.00: Medical Security Plan

Appendix B: Databases and Other Public Records

To support the Division's research and policy support efforts, the Division collects a wide array of health care data, which consists of both utilization, and financial data from acute hospitals and long-term care facilities. These data include discharges from inpatient stays and outpatient settings such as emergency department and observation stays. The Division collects other data on ambulatory care including financial data from home health agencies, community health centers, adult day health centers, temporary nursing agencies, visiting nurse associations, and ambulance and chair car providers, as well as uniform financial reports from a number of other provider types. All data are publicly available, except for confidential information protected by law.

In fiscal years 2007 and 2008, the Division transitioned primarily to electronic data collection. DHCFP-INET is the Division's online data collection and reporting tool and is available to all entities that file data with the Division. Currently reporting providers using INET include acute hospitals (non-acute hospitals also use INET for 403 submissions), community health centers, hospital-licensed community health centers, nursing home facilities, ambulance and adult day health providers, trauma facilities, and colleges and universities for student health insurance information.

Notably, the Division received the *Award of Excellence* 2007 from the National Association of Health Data Organization (NADHO) for leadership in making physician-level information and comprehensive hospital quality information available to the public.

Acute Hospital Financial Performance Data

Electronic Data

Cost Report Database (DHCFP-403)
Standardized Financial Statement Database
Individual DHCFP-403 Schedules
Customized, Limited Datasets from the DHCFP-403
Cost-to-Charge Ration (CCR) File (with efficiency standard applied)

Hard Copies

Individual Hospital DHCFP-403 Cost Reports
Individual Hospital Standardized Financial Statement
Individual Hospital Audited Financial Statement
Individual Medicare-2552 Cost Report
Individual Hospital Charge Book
Non-Medicaid Package (fee waived for municipalities)
Hospital Uniform Reporting Manual (HURM)

Acute Hospital Discharge Data

Electronic Data

Hospital Inpatient Discharge Database
Outpatient Observation Database
Emergency Department Database
Encrypted Physician Specialty Files
Acute Hospital Payer, Utilization, and Discharge Data (HSUDF Product)
Customized Limited Datasets (pending staff availability)
Health Care Cost and Utilization Project (HCUP) Sudden Infant Death Syndrome (SID) Data (available for multiple states, including Massachusetts, from the Agency of Health Care Research and Quality)
Datasets of DRG Cost Weights (hospital cost weights applied to inpatient discharge data in AP or APR versions)

Hard Copies

Individual Hospital Case Mix Verification Reports for Inpatient, Observation and Emergency Department data (profiles for data quality assurance)

Acute Hospital Cost and Quality Data

Electronic Data

Cost and Quality Data (provided to specific hospitals)

Long-Term Care Data

Electronic Data

Long-Term Care Facilities Database

- HCF-1 Nursing Home Cost Reports File
- HCF-2 Realty Company Cost Reports File
- Wage Survey File
- Provider Listing File

Miscellaneous Electronic Standard Report File
Custom Programming and Analysis (pending staff availability)
Provider Listing File (as a stand-alone file)
Long-term Care Provider History File
Patient Day Listing File
MMQ (Management Minutes Questionnaire) Data
Final Rate Listing File

Hard Copies

HCF-1 Nursing Home Cost Report
HCF-2 Realty Company Cost Report
HCF-3 Management Company Cost Report
HCF-4 Rest Home Cost Report
Management Company Listing
Long-Term Care Provider Listing
Detailed Final Rate Calculation
Final Rate Listing
Nursing Home Industry-Wide Rate List
Patient Day List
Individual Facility Cost Comparison Report
Group Summary Cost Comparison Report
OBRA Calculation

Uncompensated Care Pool / Health Safety Net Data

Electronic Data

Uncompensated Care Pool Claims
Health Safety Net Claims

Other Public Records

Ambulatory Care Financial Data
Home Health Agency Cost Report
Private Duty Nursing Cost Report
Temporary Nursing Cost Report
Community Health Center Cost Report
Hospital-Licensed Health Center Cost Report
Adult Day Health Cost Report
Ambulance and Chair Car Cost Report
Uniform Financial Report
Direct Care Add-On Compliance Report
Inpatient and Observation Stay Discharge Data

Production Notes

The *Fiscal Year 2007 and 2008 Annual Report* was written and produced by the Massachusetts Division of Health Care Finance and Policy. The Division is solely responsible for its content and distribution. Publication, design, editing, page layout, and the originals for this document were produced in-house using cost-effective, electronic desktop publishing software and microcomputer equipment. This report was printed and assembled at the Division of Health Care Finance and Policy.

Division of Health Care Finance and Policy
Two Boylston Street
Boston, MA 02117
(617) 988-3100

Copies of this report are available from the Division of Health Care Finance and Policy, Office of Business Communications.

The report is also available online at www.mass.gov/dhcfp.