New Mexico Human Services Department
Proposed Reductions to Medicaid Provider Payments
Effective July 1, 2016

Due to a serious shortfall in state revenue, largely related to reduced oil and gas taxes, many state program budgets were either reduced or not sufficiently increased to cover current program costs during the 2016 session of the New Mexico Legislature. The state Medicaid program is not an exception.

The New Mexico Human Services Department (the Department) must comply with the State Legislature's mandate in 2016 House Bill 2, which states that "the department shall reduce reimbursement rates paid to Medicaid providers…" As such, there will be reductions to many Medicaid provider payment rates beginning on July 1, 2016.

The Legislature approved an increase of $21 million in general fund matching revenue for the Medicaid program; however, program costs and enrollment are outpacing available resources, ultimately leaving a gap of about $400 million between projected expenditures and available revenue. These reductions will result in targeted savings, while still ensuring that Medicaid provider reimbursement is reasonable.

The Department convened a subcommittee of the Medicaid Advisory Committee (MAC) that was charged with the task of providing a set of recommendations for reductions to provider payments that can be implemented by July 1, 2016, in accordance with House Bill 2. The Department responded to multiple requests for data by the Provider Payments Cost-Containment Subcommittee to assist with the analysis of options for Medicaid provider payment reductions. The subcommittee voted on a final set of recommendations on April 5, 2016, that were formally submitted to the Department on April 8, 2016.

While it was not a requirement that the Department work through a subcommittee of the MAC to arrive at its proposal for provider rate reductions, the subcommittee was extremely helpful in this effort. However, the subcommittee's recommended reductions would result in less than the targeted amount of $30 million in general fund savings (or $140 million total) that are needed from provider rate reductions.

Extensive analysis has been conducted in the development of the Department's proposed Medicaid provider rate reductions, including input from various stakeholders through the MAC subcommittee and public comments received via the Department's website and dedicated email address. Throughout the process, the Department has remained committed to the goal of controlling the growth in Medicaid program costs, while also preserving the core principles of Centennial Care.

After careful consideration of the MAC subcommittee's recommendations and in recognition of the targeted savings goal of $30 million in general fund, the Department's full proposal for

provider payment reductions is set forth on Page 3 of this document. While the subcommittee's recommendations provided a valuable framework for implementing provider payment reductions, the Department notes some key differences between the subcommittee's recommendations and the Department's proposal:

- Since 2013, access to behavioral health services has increased by 75 percent in New Mexico. To preserve this dramatic increase, the Department proposes not to implement the subcommittee's recommended rate reductions to behavioral health agencies providing specialized behavioral health services.
- Long-term care providers have not seen a significant benefit as a result of the Adult Expansion of Medicaid, compared to most other Medicaid providers. For this reason, the Department proposes not to implement the subcommittee's recommended rate reductions to nursing facilities or to Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF-IIDs), and proposes to maintain the recommended one percent reduction to Community Benefit providers and agencies.
- New Mexico hospitals have benefited significantly from the Adult Expansion of Medicaid. For this reason, HSD proposes a five percent rate reduction for inpatient rates and a three percent reduction for outpatient rates, as recommended by the Subcommittee, with additional reductions to both inpatient and outpatient rates for the University of New Mexico Hospital.
- Also related to hospital rates, the Department proposes to reduce the Safety Net Care Pool (SNCP) enhanced rates to the level of matching funds available from counties and the $10 million general fund appropriation.
- To preserve preventive care for members, HSD proposes to increase certain preventive services code rates as an offset to rescinding the primary care physician (PCP) enhanced rate no longer supported by enhanced federal funding.
- The subcommittee recommended tiered reductions to physician and other professional services paid according to the fee schedule, applying percentage reductions based on relativity to Medicare. HSD proposes to adopt this recommendation with some modifications, including additional percentage reductions for each tier.

The Centennial Care managed care organizations (MCOs) will also be required to reduce reimbursement levels as applicable, consistent with the effective date of this published notice.

HSD will submit its proposed rate changes to the Centers for Medicare and Medicaid Services within the next week, and will begin the required 30-day tribal and public comment period, followed by a sufficient period to review comments before making its final decision. HSD continues to solicit public comment regarding all aspects of Medicaid cost-containment through its website (www.hsd.state.nm.us) and email address (hsd-publiccomment2016@state.nm.us). There will also be opportunity for public comment at the upcoming MAC meeting on May 9, 2016.

HSD Proposal

	Recommendation	Providers Affected	Admin Impact	Total Cost Savings	GF Savings
1	2% reduction for all services currently paid below 90% of Medicare (all codes except preventive and obstetrical)	All providers paid by fee schedule	SPA	$3-$4 million	$650,000-$900,000
2	4% reduction for all services currently paid at 90-100% of Medicare (all codes except preventive and obstetrical)	All providers paid by fee schedule	SPA	$2-$3 million	$400,000-$650,000
3	6% reduction for all services currently paid at greater than 100% of Medicare. If any code remains above 94% of the Medicare rate, reduction of the rate to 94% of Medicare (all codes except preventive and obstetrical).	All providers paid by fee schedule	SPA	$24-$26 million	$5-$6 million
4	Discontinue optional enhanced PCP rate increase established by the ACA	Qualifying physicians (1,982 providers)	SPA	$24-$26 million	$5-$6 million
5	Raise reimbursement for certain preventive services codes by 5%	All providers paid by fee schedule	SPA	($1-$1.5 million)	($200,000-$330,000)
6	5% reduction to hospital inpatient services; 8% reduction to hospital inpatient services at UNM Hospital	All hospitals – inpatient services	SPA and regulation change	$38-$45 million	$8-$10 million
7	3% reduction to hospital outpatient services; 5% reduction to hospital outpatient services at UNM Hospital	All hospitals – outpatient services	SPA and regulation change	$12.5-$17 million	$3-$4 million
8	Reduce SNCP enhanced rates to the matching funds available by counties and a $10 million GF appropriation	SNCP hospitals	SPA	$28-$33 million	$3-$4 million
9	1% reduction – community benefits providers and agencies	All community benefits providers and agencies	SPA	$3-$4 million	$850,000-$1.2 million
10	3% reduction – dental providers	All dental providers	SPA	$3-$4.5 million	$600,000-$1 million
			TOTAL:	***$136.5-$161 million***	***$26-$33.5 million***

NOTE: Rates paid in accordance with OMB Circular A-87 will not be reduced.