



September 12, 2018

Human Services Department
Office of the Secretary
ATTN: Medical Assistance Division Public Comments
P.O. Box 2348
Santa Fe, New Mexico 87504-2348
madrules@state.nm.us

Re: Proposed Rule Changes to 8.311.3

Dear Secretary Earnest,

The University of New Mexico Hospitals (UNMH) appreciates the opportunity to provide comments to the Human Services Department's (HSD) proposed rule changes to 8.311.3 NMAC, which addresses methods and standards for establishing payment for inpatient hospital services. The proposed changes purport to update provisions of the rule regarding reimbursement and to implement federally required changes.

As you know, UNMH is New Mexico's state teaching hospital. As the state teaching hospital, UNMH is committed (1) to providing accessible, high-quality, safety-focused comprehensive care, (2) to supporting the educational programs at the UNM Health Sciences Center, in conjunction with our medical staff which includes UNM School of Medicine faculty, and to supporting our residents, fellows, and other healthcare learners, and (3) to supporting research, which aims to provide innovative patient care programs and models of health care delivery, leading to health status improvement for New Mexico.

UNMH cares for a large, diverse population with complex and urgent health needs. UNMH includes New Mexico's only Level I Trauma Center, only designated Children's Hospital (which includes the State's sole source of 13 pediatric sub-specialties and only Level IV NICU), only burn center, and only National Cancer Institute (NCI)-designated Comprehensive Cancer Center. Annually, UNMH manages more than 89,000 emergency visits, 2,350 trauma cases, 20,000 surgeries, and 615,000 outpatient visits. UNMH also accepts approximately 8,000 transfers annually. That said, it is well known in New Mexico that UNMH operates with significant capacity constraints, with approximately 1,000 patients each year being turned away due to those capacity constraints.

It is also well known that New Mexico is the nation's second-poorest state, with around 45% of our population being eligible for and participating in the State's Medicaid program. As a safety net hospital, UNMH serves a large percentage of New Mexico's uninsured and underinsured patients, and as New Mexico's provider of specialized quaternary care, we routinely render complex, high-cost care.

Outlier payments are important to institutions like UNMH because, in general, they come closer to compensating for the cost of complex care than diagnostic related group (DRG) payments. DRG payments do not recognize any difference in length of patient stay or complexity of care provided. We appreciate that HSD has recognized UNMH's unique position in the medical community by identifying outlier cases at the state teaching hospital. *See* 8.311.3.12(F). However, UNMH has two requests regarding the proposed language in 8.311.3.12(F)(1)(a): (1) we would like confirmation that UNMH, as the state teaching hospital, could continue to receive outlier adjustments for children under six years of age (if a disproportionate share hospital) and infants under one year of age at the lower attachment point of \$100,000, and (2) we request that the outlier specific to the state teaching hospital attach at a point lower than \$200,000. The language as proposed and the requests are addressed in detail as follows:

HSD Proposed Language, Outlier Cases (8.311.3.12(F)(1)(a)):

Outlier cases are defined as those cases with medically necessary services exceeding \$100,000 in billed charges, or those with medically necessary lengths of stay of 75 calendar days or more, when such services are provided to eligible children up to age six in disproportionate share hospitals, and to eligible infants under age one in all hospitals. For the state teaching hospital, outlier cases are defined as those cases for eligible recipients of any age with medically necessary services exceeding \$200,000 in billed charges or with medically necessary lengths of stay of 75 calendar days or more. These cases will be removed from the DRG payment system and paid at an amount equal to eighty five percent of the hospital's standardized cost. Standardized costs are determined by multiplying the hospital's allowable billed charges by the hospital's cost-to-charge ratio as calculated from the hospital's most recent cost report.

UNMH Proposed Language, Outlier Cases (8.311.3.12(F)(1)(a)):

Outlier cases are defined as those cases with medically necessary services exceeding \$100,000 in billed charges, or those with medically necessary lengths of stay of 75 calendar days or more, when such services are provided to eligible children up to age six in disproportionate share hospitals, and to eligible infants under age one in all hospitals. In addition, ~~For the state teaching hospital, outlier cases are defined as~~ also include those cases for eligible recipients over age six ~~of any age~~ with medically necessary services exceeding ~~\$200,000~~ \$125,000 in billed charges or with medically necessary lengths of stay of 75 calendar days or more. These cases will be removed from the DRG payment system and paid at an amount equal to eighty five percent of the hospital's standardized cost. Standardized costs are determined by multiplying the hospital's allowable billed charges by the hospital's cost-to-charge ratio as calculated from the hospital's most recent cost report.

UNMH Response:

1. As indicated above, UNMH would like confirmation that the attachment point of \$100,000 in billed charges continues to apply to UNMH as the state teaching hospital (1) for eligible children up to age six, if a disproportionate share hospital, (up-to-age-six outlier) and (2) for infants under age one. We believe it was HSD's intent to keep these outliers intact for the state teaching hospital. UNMH has the State's only Children's Hospital and provides much of the State's specialized pediatric care. In creating a new \$200,000 attachment point for the state teaching hospital, it is not clear that UNMH could continue to qualify for outlier payments at the lower attachment point for certain cases involving infants and children. UNMH would strongly oppose a change to the rule that would disallow stop loss at the lower attachment point for UNMH's pediatric cases, because doing so would cause approximately 60% of UNMH's up-to-age-six outlier cases to no longer be covered by stop loss. Many of UNMH's cases currently covered by the up-to-age-six outlier are cases involving prematurity or complications at birth, and not allowing UNMH to qualify for the up-to-age-six outlier at an attachment point of \$100,000 would result in only approximately 37% of UNMH's costs of care being covered. As stated above, DRG payments do not always adequately reimburse high-cost pediatric care. For example, for DRG 790, Extreme Immaturity of Respiratory Distress Syndrome, Neonate, UNMH would be reimbursed \$34,998.20, even though lengths of stay for those patients has been between 25 and 175 days (25-57 days for patients with charges less than \$200,000), and the cost of providing care has been between \$54,000 and \$461,000 (and between \$54,000 and \$104,000 for patients with charges less than \$200,000). As stated above, UNMH is the sole source of many pediatric sub-specialties, has the State's only Level IV NICU, and routinely takes on the lion's share of the high cost sub-specialty pediatric care in the State. As such, UNMH should continue to qualify for outlier payments for the high-cost care it provides to New Mexico's low-income babies and children, and should have its costs covered for doing so.

2. UNMH also requests that the attachment point for outlier cases involving patients over age six at the state teaching hospital be lowered. As indicated above, UNMH is the State's only Level 1 Trauma Center, only burn center, and only NCI-designated Comprehensive Cancer Center. We appreciate HSD's recognition that UNMH carries a large burden of providing high cost care to all New Mexicans, including those covered by Medicaid. However, with an attachment point of \$200,000, many high-cost claims are not covered by stop loss. Specifically, only approximately 33% of high-cost, complex cases would be covered with an attachment point of \$200,000. As an example, for DRG 956, Limb Reattachment, Hip & Femur Proc for Multiple Significant Trauma, UNMH would be reimbursed \$42,354.36, even though the length of stay for such patients has ranged from 2-73 days (2-22 days for patients with charges less than \$200,000), and the cost of providing care to those patients has ranged from \$55,000 to \$227,000 (\$55,000 to \$97,000 for patients with charges less than \$200,000). Conversely, with an attachment point of \$125,000, approximately 72% of UNMH's high-cost, complex cases would be covered.

To address these issues, we suggest UNMH's proposed language set forth above, which would clarify the application of the up-to-age-six outlier, and would lower the attachment point for cases involving patients over age six.

In conclusion, UNMH is dedicated to its mission as the state teaching hospital and is committed to providing complex care to all New Mexicans. We thank you for the opportunity to provide comments, and we hope HSD will consider our alternative proposals so that UNMH may be appropriately compensated for providing such care to the community.

Sincerely,



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