


Letter of Direction #13

Date: July 11, 2019

To: Centennial Care Managed Care Organizations

From:  Nicole Comeaux, Director, Medical Assistance Division

Subject: Medicaid Provider Payment Rates

Title: Hospital Payment Rate Increases Effective July 1, 2019

On May 28, 2019, the Human Services Department (HSD) announced its intention to raise Medicaid hospital payment rates effective July 1, 2019. This increase, together with the Medicaid provider payment increases that were announced on May 15, 2019, represent the first components of a multi-phase strategy to address low Medicaid reimbursement across the delivery system. The proposed rate increases were supported, endorsed and funded by the New Mexico Legislature during the 2019 regular session.

The purpose of this Letter of Direction (LOD) is to direct MCO implementation of the inpatient and outpatient hospital rate increases that are described in the May 28th public notice. All of the rate increases explained in this LOD have been calculated and considered as a component of the MCO capitation rates that are effective July 1, 2019.

With this LOD, HSD clarifies that the increases set forth below apply to all payment methodologies for inpatient and outpatient hospital services, except where noted specifically in this directive. The Department acknowledges that inpatient and outpatient services may be paid using different methodologies from the Medicaid fee-for-service (FFS) program under Centennial Care. HSD is not directing the MCOs to revise their payment methodologies; however, all increases described in this LOD must be passed to hospital providers at the rates and percentages directed by the Department below.

1. Increase in Payment Rates for Inpatient Hospital Services

The MCOs are directed to increase Medicaid reimbursement rates for inpatient hospital services as follows:

- Increase of 14 percent for Safety Net Care Pool (SNCP) hospitals;
- Increase of five percent for UNM Hospital; and
- Increase of 12 percent for all other in-state hospitals.

Additionally, HSD will change the fee-for-service (FFS) reimbursement policy for hospital outlier claims with a retroactive effective date of July 1. Reimbursement for outlier claims will increase from 85 percent to 90 percent of the hospital's standardized cost. HSD recognizes that the MCOs may not pay hospitals for outlier claims in accordance with the FFS methodology; however, the MCOs are directed to raise their reimbursement rates for outliers by five percent to correspond with the FFS increase. HSD confirms that outlier payments are made for qualifying claims in lieu of (rather than in addition to) the inpatient payment.

a. Provider Type 201

For provider type 201, HSD applied the inpatient hospital increase to Diagnosis-Related Group (DRG) rates paid to general acute care hospitals, including critical access hospitals, by raising both the provider-specific amount and the pass-through amount. Neither the DRG weight nor the cost-to-charge ratio was changed. See below:

$$\text{DRG Formula} = \text{Provider-Specific Amount}^* \times \text{DRG Weight} + \text{Pass-Through Amount}^*$$

**The rate increase percentages were applied to the Provider-Specific Amount and the Pass-Through Amount only*

The MCOs are directed to apply a corresponding increase to each inpatient hospital facility, regardless of whether MCO reimbursement is paid based on the DRG methodology. The DRG hospital rates can be found on HSD's website at www.hsd.state.nm.us/providers/fee-for-service.aspx; a copy has been provided with this LOD.

Please note that rates paid in accordance with OMB Circular A-87 are not being raised as part of this initiative. Also note that these increases do not apply to out-of-state hospitals.

b. Provider Types 202, 203, 204 and 205

Specialty hospitals and units, including rehabilitation and extended care (long-term acute care) hospitals; and free-standing psychiatric hospitals and units, are generally paid a percentage of their billed charges and then cost-settled under the FFS program, and not based on the DRG formula. For these facilities, HSD applied the appropriate percentage increase as described above to the inpatient component (Component A) of each facility's FFS cost-settlement ratio.

The MCOs are directed to apply a corresponding increase to each facility, regardless of the MCO reimbursement formula used. For distinct units that are associated with a SNCP facility, the MCOs are directed to apply the 12 percent increase. Since these facilities are cost-settled under the FFS program, the SNCP program was not extended to these provider types, and there are no fee schedules to reference or post on the HSD website.

These increases do not apply to out-of-state facilities.

2. Increase in Payment Rates for Hospital Outpatient Services

The MCOs are directed to increase Medicaid reimbursement rates for outpatient hospital services as follows:

- Increase of 25 percent for SNCP hospitals;
- Increase of 10 percent for UNM Hospital; and
- Increase of 18 percent for all other in-state hospitals.

HSD applied the increase to provider types 201, 202, 203, 204 and 205 by raising the percentage paid to each provider under the Outpatient Prospective Payment System (OPPS) by the appropriate amount based on the provider's category as set forth above.

As noted, the fee increase for hospitals is limited to the provider types 201-205. Laboratory and radiology services billed under provider types 351-354 are not included in the increase. Therefore, outpatient laboratory services were not adjusted as part of this increase, since such services currently align with the Medicaid FFS fee schedule, and per CMS's State Medicaid Manual, Medicaid reimbursement for clinical diagnostic laboratory tests may not exceed the amount that Medicare recognizes for such test. Outpatient radiology services also were not included in the increase.

The MCOs are directed to apply a corresponding increase to each facility, regardless of the MCO reimbursement formula used. The HSD OPPS fee schedule shows what payments to providers would be at 100 percent of the OPPS rate; therefore, HSD is not making adjustments to this document. The OPPS fee schedule is posted at www.hsd.state.nm.us/providers/fee-for-service.aspx for MCO reference.

HSD has posted the OPPS rates by facility to the HSD website at the above-referenced link; a copy has been provided with this LOD.

As noted above, rates paid in accordance with OMB Circular A-87 are not being raised as part of this initiative. These increases do not apply to out-of-state facilities.

3. Rate Increase Implementation Timeframes and Reporting

The MCOs are directed to implement changes associated with these instructions, including system changes and provider contract negotiations as needed no later than 60 days from the date of issuance of this directive. For any claims submitted after July 1, 2019, but not paid based on these new parameters, the MCOs are directed to readjust payments retroactive to July 1, 2019. HSD directs the MCOs to provide biweekly updates to HSD on the status of implementation every other Friday beginning July 19, 2019, through Friday, September 20, 2019.

The General Appropriations bill (HB 2) which appropriated funding to increase rates paid to hospitals specifically provided that "[t]he department shall ensure the approved increases are paid by the managed care organizations to hospitals". HSD will create a reporting template to monitor

MCO implementation of the increases and the directives herein. We will provide a draft template to you shortly for review and comment, but please know that the template must require each MCO to provide hospital-specific information on the increases. HSD will enforce additional monitoring through quarterly reviews of MCO encounter data to ensure that rates were increased, and services were added in accordance with HSD policy as described in this LOD.

Attachments:

1. FFS DRG Inpatient Hospital Rates

Hospital Inpatient Reimbursement Effective July 1, 2019

New Mexico Medicaid Hospital Payment Rates for Diagnosis Related Group (DRG) Calculations and Outlier Calculations

Hospital Name	Rate Effective 7.1.2019	Pass Through Effective 7.1.19	Safety Net Care Pool
Alta Vista Regional Hospital	\$4,498.33	\$ 325.97	Rate Includes SNCP
Artesia General Hospital	\$6,178.69	\$ 261.65	Rate Includes SNCP
Carlsbad Medical Center	\$4,560.26	\$ 257.29	Rate Includes SNCP
Christus St. Vincent Regional Medical	\$5,204.04	\$ 380.47	Rate Includes SNCP
Cibola General Hospital	\$6,178.69	\$ 214.76	Rate Includes SNCP
Dan C. Trigg Memorial Hospital	\$5,618.03	\$ 319.42	Rate Includes SNCP
Eastern New Mexico Medical Center	\$5,689.74	\$ 269.28	Rate Includes SNCP
Gerald Champion Regional Medical Center	\$4,835.72	\$ 341.22	Rate Includes SNCP
Gila Regional Medical Center	\$4,446.18	\$ 312.88	Rate Includes SNCP
Guadalupe County Hospital	\$5,228.51	\$ 64.32	Rate Includes SNCP
Holy Cross Hospital	\$5,494.17	\$ 329.23	Rate Includes SNCP
Lea Regional Medical Center	\$5,052.46	\$ 203.86	Rate Includes SNCP
Lincoln County Medical Center	\$6,178.69	\$ 280.17	Rate Includes SNCP
Los Alamos Medical Center	\$5,163.31	\$ 260.56	Rate Includes SNCP
Lovelace Medical Center - Downtown	\$3,312.78	\$ 831.14	
Lovelace Regional Hospital - Roswell	\$4,915.55	\$ 378.03	Rate Includes SNCP
Lovelace Westside Hospital	\$3,393.12	\$ 1,028.20	
Lovelace Women's Hospital	\$3,393.12	\$ 226.00	
Memorial Medical Center	\$5,037.81	\$ 257.29	Rate Includes SNCP
Mimbres Memorial Hospital	\$3,134.17	\$ 92.66	Rate Includes SNCP
Miners Colfax Medical Center	\$6,178.69	\$ 244.21	Rate Includes SNCP
Mountainview Regional Medical Center	\$5,618.03	\$ 368.48	Rate Includes SNCP
Nor-Lea General Hospital	\$6,178.69	\$ 106.84	Rate Includes SNCP
PHP Espanola Hospital	\$4,913.93	\$ 424.08	Rate Includes SNCP
Plains Regional Medical Center	\$4,325.56	\$ 149.35	Rate Includes SNCP
Presbyterian Hospital (Santa Fe)	\$3,400.32	\$ 336.10	

Presbyterian Hospital (Albuquerque)	\$3,755.14	\$ 379.15	
Rehobeth McKinley Christian Health Care	\$5,360.48	\$ 460.06	Rate Includes SNCP
Roosevelt General Hospital	\$4,915.55	\$ 368.48	Rate Includes SNCP
San Juan Regional Medical Center	\$5,557.72	\$ 262.74	Rate Includes SNCP
Sierra Vista Hospital	\$5,161.67	\$ 189.69	Rate Includes SNCP
Socorro General Hospital	\$6,178.69	\$ 336.87	Rate Includes SNCP
Union County General Hospital	\$5,186.10	\$ 850.34	Rate Includes SNCP
University Hospital of New Mexico	\$5,440.94	\$ 379.22	Rate Includes SNCP
UNM Sandoval Regional Medical Center Inc	\$3,230.30	\$ 319.30	
*Out of State Hospitals	\$2,923.89	\$ 252.46	

*Outlier Calculation: Billed charges x Cost to Charge Ratio x 90% (a 5% increase from the previous 90%)