




HEALTH CARE
AUTHORITY

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Letter of Direction #29

Date: November 6, 2024

To: Turquoise Care Managed Care Organizations

From: Dana Flannery, Director, Medical Assistance Division 

Subject: Health Care Quality Surcharge (HCQS) Per Diem and Market Basket Index (MBI) Increase for State Fiscal Year (SFY) 2025

Title: HCQS Per Diem and MBI Increase for SFY 2025

Background

The purpose of this Letter of Direction (LOD) is to provide instructions to the Turquoise Care (TC) Managed Care Organizations (MCOs) for implementing the Health Care Quality Surcharge (HCQS) Per Diem and Market Basket Index (MBI) increase for State Fiscal Year (SFY) 2025 (July 1, 2024, through June 30, 2025) as required by New Mexico statute, §7-41-4 and §7-41-6 NMSA 1978, originally enacted under Senate Bill 246 (SB246) during the 2019 Regular Legislative Session. In accordance with SB246 statutory requirements, the Per Diem and MBI will be adjusted on July 1st of each year. The Health Care Authority (HCA) has provided detailed instructions for the implementation of the HCQS in the Centennial Care 2.0 (CC 2.0) LOD #32. This LOD does not replace or supersede the direction in CC 2.0 LOD #32. Besides the changes noted in this LOD, the MCOs are required to continue to follow the direction in CC 2.0 LOD #32.

Nursing Facility Per Diem and MBI increases effective July 1, 2024

Retroactive to July 1, 2024, the MCOs are directed to implement Medicaid rate increases to nursing facilities (NFs) into categories as follows:

1. Revised uniform per diem rate increases based on the class of facility; this amount **is not subtracted from prior year**, this amount replaces the amount indicated in CC 2.0 LOD 83-1.
 - Class 1 - <60 beds – exempt from surcharge: No per diem rate increase.
 - Class 2 - 60 or more beds and <90,000 Medicaid bed days: \$24.97/Medicaid bed day; and
 - Class 3 - 60 or more beds and 90,000 or more Medicaid bed days: \$8.74/Medicaid bed day.
2. Market Basket Increase (MBI) of 6.6% (0.066) for each facility. This amount is calculated before the per diem increase add-on cited above. This amount shall be in addition to the MBI increase indicated in CC 2.0 LOD #47, which should already be

incorporated in the Nursing Facility’s July 2020 through June 2021 rate in effect, CC 2.0 LOD #65, which should already be incorporated in the Nursing Facility’s July 2021 through June 2022 rate in effect, CC2.0 LOD #83 which should already be incorporated in the Nursing Facility’s July 2022 through June 2023 rate in effect, and CC 2.0 LOD #83-1, which should already be incorporated in the Nursing Facility’s July 2023 through June 2024 rate in effect.

The operational formula associated with the MBI increase is as follows:

$$\text{July 2023 through June 2024 Nursing Facility Rate} * (1+0.0305) + \text{Uniform per diem} = \text{July 2024 through June 2025 Nursing Facility Rate}$$

Rate Calculation Example:

\$225.01	Current Rate 6.30.2024 (includes HB2 2023)			
1.066	inflate			
\$ 239.86	Rate after MBI			
\$24.97	SFY 225 HCQS Add-on			
\$264.83	SFY 25 Total Reimbursement Paid per Day			
\$24.97	2025 HCQS Surcharge/Day			
\$239.86	Reimbursement per day			

The HCQS Add on Surcharge is not applied to Leave of Absence (LOA) Bed Hold Days.

LOA Rate Calculation Example:

\$225.01	Rate 6.30.2024 (includes HB2 2023)			
1.066	inflate			
\$239.86	Rate after MBI			
\$ 24.97	SFY 2025 HCQS Add-on			
\$264.83	SFY 25 Total Reimbursement Paid per Day			
(\$24.97)	LOA: remove 2025 HCQS Surcharge/Day			
\$239.86	SFY 25 Total Reimbursement Paid per Day; excluding Add-on			
*.50	50% of current NF rate			
\$119.93	SFY 25 LOA Total Reimbursement Paid per Day			

Within 15 days of issuance of this LOD, the TC MCOs are directed to increase NF per diem rates by the uniform percentage MBI factor and the uniform per diem add-on for utilization for both short-term and long-term bed days incurred by Medicaid members retroactive to July 1, 2024.

Inclusion of the HCQS Program in MCO Capitation Rates

To support the HCQS Per Diem and MBI increase, HCA will increase the capitated rates for impacted cohorts in the Physical Health (PH), Long-Term Services and Supports (LTSS), and Other Adult Group (OAG) programs. The payment will be calculated based on the program allocation and the distribution of affected members. The MCOs will receive the increased capitation for these cohorts related to the per diem rate increase retroactive to July 1, 2024, as part of the CY 2024 Rates effective

July 2024-December 2024 and the CY2025 Rates effective January 2025-December 2025. The MCOs will receive the increased capitation related to the MBI increase retroactive to July 1, 2024, as part of the CY2025 Rates effective January 2025-December 2025, which will include the MBI increase impact from July 1, 2024, to December 31, 2024.

Payment Distribution Schedule

All quality payments for SFY25 will be made based on the distribution schedule below:

Quality Period	Deadline to Pay NFs
July 1, 2024 – September 30, 2024	January 28, 2025
October 1, 2024 – December 31, 2024	April 29, 2025
January 1, 2025 – March 31, 2025	July 30, 2025
April 1, 2025 – June 30, 2025	October 29, 2025

Attachment:

1. Healthcare Facility Classifications – July 1, 2024

This LOD will sunset when direction is provided in one or more of the following: Turquoise Care Managed Care Services Agreement, Managed Care Policy Manual, NMAC, Systems Manual, or BHSD Billing and Systems Manual. The LOD may also sunset upon HCA notification or completion of the Turquoise Care Program.