

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S3-14-28
Baltimore, Maryland 21244-1850



Financial Management Group

February 26, 2020

Ms. Nicole Comeaux
Director
Medical Assistance Division
New Mexico Human Services Department
2025 South Pacheco Drive
P.O. Box 2348
Santa Fe, New Mexico 87504-2348

Reference: NM 19-0014

Dear Ms. Comeaux:

We have reviewed the proposed State plan amendment (SPA) to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 19-0014. The New Mexico Human Services Department (HSD) implemented an increase in payment rates for hospital inpatient services effective July 1, 2019. Reimbursement rates for inpatient hospital services increased by 14 percent for Safety Net Care Pool (SNCP) hospitals; five percent for the State Teaching Hospital; and 12 percent for all other in-state hospitals. Additionally, hospital outlier claims will be increased from 85 percent to 90 percent of the hospital's standardized cost.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1923 and 1903(a) of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C.

This is to inform you that Medicaid State plan amendment 19-0014 is approved effective July 1, 2019. The CMS-179 and the amended plan page(s) are attached.

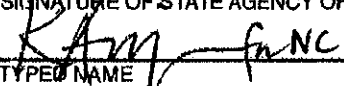
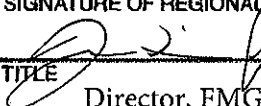
If you have any additional questions or need further assistance, please contact Tamara Sampson at 214-767-6431 or Tamara.Sampson@cms.hhs.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kristin Fan", is written over a light blue horizontal line.

Kristin Fan
Director

Enclosures

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL		1. TRANSMITTAL NUMBER <u>1 9 0 1 4</u>	2. STATE New Mexico
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES		3. PROGRAM IDENTIFICATION; TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE & MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE July 1, 2019	
5. TYPE OF PLAN MATERIAL (Check One)			
<input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION 42 CFR 447 Subpart F		7. FEDERAL BUDGET IMPACT a. FFY <u>19</u> \$ <u>1,697,199</u> b. FFY <u>20</u> \$ <u>6,788,795</u>	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT Attachment 4.19-A, page 6a Attachment 4.19-A, page 16		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) Attachment 4.19-A page 6a (NM SPA 16-006) Attachment 4.19-A page 16 (NM SPA 16-006)	
10. SUBJECT OF AMENDMENT Inpatient Hospital Reimbursement			
11. GOVERNOR'S REVIEW (Check One)			
<input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL		<input checked="" type="checkbox"/> OTHER, AS SPECIFIED Authority delegated to the Medicaid Director	
12. SIGNATURE OF STATE AGENCY OFFICIAL 		16. RETURN TO Nicole Comeaux, J.D., M.P.H., Director Medical Assistance Division P.O. Box 2348 Santa Fe, NM 87504-2348	
13. TYPED NAME Nicole Comeaux			
14. TITLE Director, Medical Assistance Division			
15. DATE SUBMITTED September 30, 2019			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED September 30, 2019		18. DATE APPROVED February 26, 2020	
PLAN APPROVED - ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL July 1, 2019		20. SIGNATURE OF REGIONAL OFFICIAL 	
21. TYPED NAME Kristin Fan		22. TITLE Director, FMG	
23. REMARKS			

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
STATE OF NEW MEXICO
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES INPATIENT
HOSPITAL SERVICES

Attachment 4.19-A
Page 6a

- Effective for services on or after October 1, 1997, the rates that were in effect as of October 1, 1996 will be updated.
- Effective April 1, 2014, base rates will be increased for all Safety Net Care Pool (SNCP) qualifying hospitals by 124 percent. Effective July 1, 2014, those rates will decrease to an amount equal to the pre-April 1, 2014 rate times 1.62 (increasing the historical rate by 62 percent). For the University of New Mexico Hospital the rates will be increased by 90 percent and 45 percent, respectively.

In accordance with the above paragraph, hospital rates will be set as of April 1, 2014 and be effective for services performed on or after that date and until June 30, 2014. Revised rates will be set as of July 1, 2015 and be effective for services performed on or after that date until such time as the State makes future rate adjustments. Inpatient hospital rates base rates and capital pass through amounts are reduced 5% effective July 1, 2016. Inpatient hospital rates base rates and capital pass through amounts are increased by 14 percent for Safety Net Care Pool (SNCP) hospitals; 5 percent for the University of New Mexico Hospital; and 12 percent for all other in-state hospitals effective July 1, 2019. Except as otherwise noted in the state plan both governmental and private providers are paid the same. All rates are published on the Department's website at <http://www.hsd.state.nm.us/providers/fee-schedules.aspx> Notice of changes to rates will be made as required by 42 CFR 447.205.

- No payment under this section is dependent on any agreement or arrangement for providers or related entities to donate money or services to a governmental entity.
- The rates will be updated annually for inflation, effective October 1 each year, using the methodology in paragraph C. I.
- Cost reporting periods ending in 1993 are used as the base year for the rates in effect as of October 1, 1996. The October 1, 1996 base year cost per discharge was determined from Title XIX discharges from audited or desk reviewed cost reports for reporting periods ending in calendar year 1993 and inflated forward to the midpoint of the federal fiscal year 1997 using the update factors specified in III.C.8- as described in paragraphs C.2.b. through C.13 below.
The operating cost per discharge and the excludable cost per discharge as of October 1, 1996 will be combined into one base year cost per discharge. The combined base year cost per discharge will be updated for inflation using the update factor in paragraph C. I.
- The excludable cost per discharge will be handled in the same manner as described in III.E.
- The methodology described in paragraphs C.2.b. through C.13 below represent the methodology in effect prior to October 1, 1997 and is retained intact in the state plan solely to document how the rates in effect as of October 1, 1997 were determined.

3. In the event that the interim rate exceeds the final rate, the following procedure will be implemented:

The facility will have 30 days from the date of notification of overpayment to submit the amount owed to the Department in full. If the amount is not submitted on a timely basis, the Department will begin withholding from future payments until the overpayment is satisfied in full.

4. Retroactive settlements for excludable costs will be handled in the same manner as described above.

F. Special Prospective Payment Provisions

1. Outlier Cases

Effective for discharges occurring on or after April 1, 1992, 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 days or more, when such services are provided to children who have not attained the age of six years in disproportionate share hospitals, and to infants under age one in all hospitals. Effective July 1, 2019 these cases will be removed from the DRG payment system and paid at an amount equal to 90% 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.

Utilization review will be performed on all outlier cases to determine the medical necessity of services rendered. Should this review determine non-medical necessity for all or part of the services, these services will be deducted from the billed amount prior to payment.

2. Payment for Transfer Cases

- a. All cases transferred from one acute care hospital to another will be monitored under the utilization review policy to ensure that the Department does not pay for inappropriate transfers.
- b. The following methodology will be used to reimburse the transferring and discharging hospitals for appropriate transfers if both hospitals and any hospital units involved are