HEALTH CARE
AUTHORITY

Michelle Lujan Grisham, Governor
Kari Armijo, Secretary
Dana Flannery, Medicaid Director

September 24, 2024

James G. Scott, Director
Division of Program Operations
Medicaid & CHIP Operations Group
Centers for Medicare and Medicaid Services
601 E. 12th St., Room 355
Kansas City, MO 64106

Dear Mr. Scott:
Enclosed please find documents related to New Mexico State Plan Amendment (SPA) 24-0007, Inpatient/Outpatient Hospitals and Nursing Facilities Rate Increase.

New Mexico is requesting to raise Medicaid reimbursement rates for Inpatient/Outpatient Hospitals and Nursing Facilities.

The HCA followed a process that included public notification, tribal notification, and web posting. Documentation of these activities is attached.

Please refer to the attachments for the transmittal form and notices.

We appreciate your consideration of this state plan amendment. Should you have any questions on this amendment, please contact Valerie Tapia at: Valerie.Tapia@hca.nm.gov or (505) 257-8420.

Sincerely,

Dana Flannery
Medicaid Director

Cc: Dana Brown, CMS

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB No. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1. TRANSMITTAL NUMBER: 24 — 0007

2. STATE: NM

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT: (●) XIX ( ) XXI

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
08/01/2024

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR 447 Subpart C
42 CFR 419

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 24 $ 789,534
b. FFY 25 $ 4,709,880

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 4.19 A (Page 4)
Attachment 4.19 B (Page 6aa)
Attachment 4.19 D (Page 11)

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
Attachment 4.19 A (Page 4) Supersedes (92-09)
Attachment 4.19 B (Page 6aa) Supersedes 15-11
Attachment 4.19 D (Page 11) Supersedes 15-13

9. SUBJECT OF AMENDMENT
New Mexico Health Care Authority (HCA) Medical Assistance Division (MAD) is requesting to raise Medicaid reimbursement rates for Inpatient/Outpatient Hospitals and Nursing Facilities.

10. GOVERNOR'S REVIEW *(Check One)*
( ) GOVERNOR'S OFFICE REPORTED NO COMMENT
( ) COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
( ) NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
(●) OTHER, AS SPECIFIED:
Authority Delegated to the Medicaid Director

11. SIGNATURE OF STATE AGENCY OFFICIAL

12. TYPED NAME
Dana Flannery

13. TITLE
Director, Medical Assistance Division

14. DATE SUBMITTED
09/24/2024

15. RETURN TO
Medical Assistance Division
PO Box 2348
Santa Fe, NM 87504-2348

FOR CMS USE ONLY

16. DATE RECEIVED

17. DATE APPROVED

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL

21. TITLE OF APPROVING OFFICIAL

22. REMARKS

Instructions on Back

INSTRUCTIONS FOR COMPLETING FORM CMS-179

Use Form CMS-179 to transmit State plan material to the Center for Medicaid & CHIP Services for approval. Submit a separate typed transmittal form with each plan/amendment.

Block 1 - Transmittal Number - Enter the State Plan Amendment transmittal number. Assign consecutive numbers on a **calendar year** basis with the first two digits being the two-digit year (e.g., 21-0001, 21-0002, etc.). Because states have different state fiscal years, a calendar year is required for consistency.

Block 2 - State - Enter the two-letter abbreviation code of the State/District/Territory submitting the plan material.

Block 3 - Program Identification - Enter the applicable Title of the Social Security Act (Title XIX Medicaid or Title XXI CHIP).

Block 4 - Proposed Effective Date - Enter the proposed effective date of material. The effective date of a new plan may not be earlier than the first day of the calendar quarter in which an approvable plan is submitted. With respect to expenditures for assistance under such plan, the effective date may not be earlier than the first day on which the plan is in operation on a statewide basis or earlier than the day following publication of notice of changes.

Block 5 - Federal Statute/Regulation Citation - Enter the appropriate statutory/regulatory citation.

Block 6 - Federal Budget Impact - 6(a) - IN WHOLE DOLLARS, NOT IN THOUSANDS, Enter 1st **Federal Fiscal Year** (FFY) impacted by the SPA & estimated Federal share of the cost of the SPA for 1st FFY. The first FFY should be the FFY inclusive of the earliest effective date of any amended payment language; **6 (b)** - Enter 2nd FFY impacted by the SPA & estimated Federal share of the cost for 2nd FFY. In general, the estimates should include any amount not currently approved in the state's plan for assistance.

Block 7 - Page No.(s) of Plan Section or Attachment - Enter the page number(s) of plan material amended and transmitted. If additional space is needed, use bond paper. **New pages** should be included in Block 7, but not in Block 8.

Block 8 - Page No.(s) of the Superseded Plan Section or Attachment (if Applicable) - Enter the page number(s) (including the transmittal number) that is being superseded. If additional space is needed, use bond paper. **Deleted pages** should be included in Block 8, but not in Block 7.

Block 9 - Subject of Amendment - Briefly describe plan material being transmitted.

Block 10 - Governor's Review - Check the appropriate box. See SMM section 13026 A.

Block 11 - Signature of State Agency Official - Authorized State official signs this block.

Block 12 - Typed Name - Type name of State official who signed block 11.

Block 13 - Title - Type title of State official who signed block 11.

Block 14 - Date Submitted - Enter the date that the state transmits plan material to CMCS. Unless the state officially withdraws this SPA and then resubmits it, this date should not be revised. Documentation of version revisions will be maintained in the CMCS administrative record.

Block 15 - Return To - Type the name and address of State official to whom this form should be returned.

Block 16–22 (FOR CMS USE ONLY).

Block 16 - Date Received - Enter the date plan material is received by CMCS. This is the date that the submission is received by CMCS via the subscribed submission process.

Block 17 - Date Approved - Enter the date CMCS approved the plan material.

Block 18 - Effective Date of Approved Material - Enter the date the plan material becomes effective. If more than one effective date, list each provision and its effective date in Block 22 or attach a sheet.

Block 19 - Signature of Approving Official - Approving official signs this block.

Block 20 - Typed Name of Approving Official - Type approving official's name.

Block 21 - Title of Approving Official - Type approving official's title.

Block 22 - Remarks - Use this block to reference and explain agreed to changes and strike-throughs to the original CMS-179 as submitted, a partial approval, more than one effective date, etc. If additional space is needed, use bond paper.

within the control of the hospital and that the continued imposition of the target rate would cause a significant financial hardship.

3. The Department shall review the supporting documentation and, if appropriate, grant an exemption from or modification of the target rate. The Department's determination on the merits of the appeal will be made within 180 days of receipt of the appeal request, although the State may make a determination to extend such period to a specified date as necessary.

III. PROSPECTIVE PAYMENT METHOLOGY FOR HOSPITALS

Payment for all covered inpatient services rendered to Title XIX recipients admitted to acute care hospitals (other than those identified in Section I, subsections C through E) on or after October 1, 1989 shall be made based on a prospective payment approach which compensates hospitals an amount per discharge for discharges classified according to the Diagnosis Related Group (DRG) methodology. The prospective rates for each hospital's Medicaid discharges will be determined by the Department in the manner described in the following subsections.

A. Services Included In or Excluded From the Prospective Payment Rate
   1. Prospective payment rates shall constitute payment in full for each Medicaid discharge. Hospitals may not separately bill the patient or the Medicaid program for medical services rendered during an inpatient stay, except as described below. Hospitals may submit a claim for payment only upon the final discharge of a patient or upon completion of the transfer of the patient to another acute care hospital.
   2. The prospective payment rate shall include all services provided to hospital inpatient, including:
      a. All items and non-physician services furnished directly or indirectly to hospital inpatient, including but not limited to 1) laboratory services; 2) pacemakers and other prosthetic devices including lenses and artificial limbs, knees and hips; 3) radiology services including computed tomography (CT) or magnetic resonance imaging (MRI) scans furnished to patients by a physician's office, other hospital or radiology clinic; 4) another hospital or freestanding facility to receive specialized diagnostic or therapeutic services.
   3. Services which may be billed separately include:
      a. Ambulance service when the patient is transferred from one hospital to another and is admitted as an inpatient to the second hospital.
      b. Physician services furnished to individual patients.

B. Computation of DRG Relative Weights
   1. Relative weights used for determining rates for cases paid by DRG under the State Plan shall be derived, to the greatest extent possible, from New Mexico Medicaid hospital claim data. All such claims are included in the relative weight computation, except as described below.

2. Hospital claims data for discharges occurring from January 1, 1985 through approximately the end of calendar year 1988 are included in the computation and prepared as follows:
    a. Claims are edited to merge interim bills from the same discharge.
    b. All Medicaid inpatient discharges will be classified using the Diagnostics Related Group (DRG) methodology, a patient classification system that reflects clinically cohesive groupings of inpatient cases which consume similar amounts of hospital resources. Claims are assigned to appropriate DRGs using Version 6.0 of the Health Systems International DRG grouper software.
    c. Claims included in the computation of DRG relative weights were restricted to those claims for cases to be included in the proposed PPS. Claims for services provided in PPS-exempt hospitals or units (or for services otherwise exempt from the PPS) were not used to compute DRG relative weights.
3. Charges for varying years are adjusted to represent a common year through application of inflation indices as described in Section IIT.C.8 of this plan.

C. Effective August 1, 2024, inpatient hospital DRG base rates will be increased for eligible hospitals. To be deemed eligible, a provider must be licensed in the state of New Mexico and receiving Medicaid reimbursement less than the Medicare equivalent rate.

Eligible providers are grouped into 4 classes defined below. Each class of eligible providers will receive an increase to their inpatient hospital base rate applicable to the class of providers.

1. Underserved 20% Rate Increase effective August 1, 2024 - Health Resources & Services Administration (HRSA) Underserved definition: Medically Underserved Areas/Populations (MUA) are areas or populations designated by HRSA as having too few primary care providers, high infant mortality, high poverty or a high elderly population. The lowest score (highest need) is 0; the highest score (lowest need) is 100. To qualify for underserved designation, the Index of Medical Underservice (IMU) score must be less than or equal to 62.0.
2. Rural 12% Rate Increase effective August 1, 2024 - Are those that are not urban or underserved.
3. Urban 6% Rate Increase effective August 1, 2024 - Based on Rural Health Information Hub (RHI) supported by HRSA; NM Urban counties are Bernalillo, Los Alamos, Sandoval, Santa Fe and Dona Ana.
4. University of New Mexico (and affiliates) 4% Rate Increase

D. Effective August 1, 2024, PPS Exempt facilities deemed eligible for rate increases will receive the applicable rate increase for their category. The percentage increase will be applied to their effective TEFRA per discharge rate for FFS settlement.

Hospital based rural health clinic services are paid at the provider's encounter rate established by Medicare that is in effect for the date of service. When a hospital based rural health clinic receives the annual rate notification from CMS, the provider forwards a copy of that notice to the state agency which then implements that rate for the provider for Medicaid payments. There is no retroactive cost settlement. The effective date of this change is July 1, 2015.

Effective August 1, 2024, the OPPS rates will be increased for eligible hospitals. To be deemed eligible a provider must be licensed in the state of New Mexico and receiving Medicaid reimbursement less than the Medicare equivalent rate.

Eligible providers are grouped into 4 classes defined below. Each class of eligible providers will receive an increase to their OPPS rate applicable to the class of providers:

i. Underserved 20% Rate Increase effective August 1, 2024 - Health Resources & Services Administration (HRSA) Underserved definition: Medically Underserved Areas/Populations (MUA) are areas or populations designated by HRSA as having too few primary care providers, high infant mortality, high poverty or a high elderly population. The lowest score (highest need) is 0; the highest score (lowest need) is 100. To qualify for underserved designation, the Index of Medical Underservice (IMU) score must be less than or equal to 62.0.

ii. Rural 12% Rate Increase effective August 1, 2024 - Are those that are not urban or underserved.

iii. Urban 6% Rate Increase effective August 1, 2024 - Based on Rural Health Information Hub (RHI) supported by HRSA; NM Urban counties are Bernalillo, Los Alamos, Sandoval, Santa Fe and Dona Ana.

iv. University of New Mexico (and affiliates) 4% Rate Increase effective August 1, 2024.

A. Base Year

Rebasing of the prospective per diem rate will take place every three years. Therefore, the operating years under this plan will be known as Year 1, Year 2, Year 3. Because rebasing is done every three years, operating year will again become Year 1, etc.

Cost incurred, reported, audited and/or desk reviewed for the provider's last fiscal year which falls in the calendar year prior to year 1 will be used to re-base the prospective per diem rate. Rebasing of costs in excess of 110% of the previous year's audited cost per diem times the index (as described further on in these regulations) will not be recognized for calculation of the base year costs.

For implementation Year 1 (effective July 1, 1984) the base year is the provider's last available audited cost report prior to January 1, 1984.

Rebasing will occur out of cycle for rates effective January 1, 1996, using the provider's FYE 1994 audited cost report. The rate period January 1, 1996, through June 30, 1996, will be considered Year 1. The rate period July 1, 1996, through June 30, 1997, will be considered year 2, and the rate period July 1, 1997, through June 30, 1998, will be considered year 3. The rebasing cycle will resume for rates effective July 1, 1998, and continue as described in the first paragraph of this section.

Effective for dates of service on or after July 1, 2015, each private nursing facility's existing "Low Level of Care" rate is increased 4%.

B. Inflation factor to recognize economic conditions and trends during the time period covered by the provider's prospective per diem rate.

The index used to determine the inflation factor will be the Health Care Financing Administration Nursing Home Market Basket Index (NHI).

Each provider's operating cost will be indexed up to a common point of 12/31 for the base year, and then indexed to a mid-year point of 12/31 for operating Year 1. For the out of cycle rebasing occurring for rates effective January 1, 1996.

V. Effective August 1, 2024, nursing facility Medicaid per diem rates will be increased for nursing facilities in New Mexico. To be deemed eligible a provider must be licensed in the state of New Mexico and have an active fee-for-service (FFS) rate. Each eligible nursing facilities per diem FFS rate for high and low Medicaid will be increased by the amounts listed below:

i. High Medicaid Rate Increase $14.19/day
ii. Low Medicaid Rate Increase $9.69/day