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MEMORANDUM

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**To:** MEDICAL ADVISORY COMMITTEE  
**From:** *NSL* NANCY SMITH-LESLIE, MAD DIRECTOR  
**Subject:** MAC PROVIDER PAYMENTS COST-CONTAINMENT SUBCOMMITTEE FINAL RECOMMENDATION  
**Date:** April 13, 2016

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Attached you will find the final recommendation submitted on behalf of the Medicaid Advisory Committee (MAC) to the New Mexico Human Services Department (HSD) by the MAC Provider Payments Cost-Containment Subcommittee. The subcommittee was charged with the task of recommending reductions to provider payments to comply with the legislative mandate in House Bill 2 of the 2016 Session, which stated, "The department shall reduce reimbursement rates paid to Medicaid providers...." HSD is currently reviewing and evaluating the subcommittee's recommendations. The subcommittee's work was the first step in this process, and the final changes proposed by HSD will be submitted for public comment.

To allow sufficient time for public review and comment, HSD will submit proposed rate changes within the next week. This will allow at least 30 days for public comment and 30 days for evaluation prior to a July 1, 2016 implementation date. In addition, HSD continues to solicit public comment regarding all aspects of cost containment through its website ([www.hsd.state.nm.us](http://www.hsd.state.nm.us)). There will be further opportunity for public comment on HSD's proposal at the upcoming MAC meeting on May 9, 2016.

While it was not a requirement that HSD work through a subcommittee of the MAC to arrive at its proposal for provider rate reductions, the subcommittee has been extremely helpful in this effort. Their expertise and analysis of multiple sets of requested data provided valuable advisement to HSD.

Please review the attached recommendation and supporting documentation. HSD invites all members of the MAC to submit comments regarding the recommendation and other cost-containment comments using the web-based form mentioned above, or by emailing [HSD-PublicComment2016@state.nm.us](mailto:HSD-PublicComment2016@state.nm.us) directly.

Thank you to all members of the MAC, specifically those who served on the Provider Payments Subcommittee, for your advisement to HSD and dedication in arriving at this recommendation.

# NMAHHC

NEW MEXICO ASSOCIATION  
FOR HOME & HOSPICE CARE

April 8, 2016

Brent Earnest, Secretary  
Human Services Department  
P.O. Box 2348  
Santa Fe, New Mexico 87504

Dear Secretary Earnest,

First of all, I would like to thank you for appointing me as Chair of the Provider Payments Cost-Containment Subcommittee to the Medicaid Advisory Committee (MAC). It was truly an honor and a privilege to serve in this capacity and I must also thank the Director, Nancy Smith-Leslie and her staff at the Medical Assistance Division for their timely response to requests for data and their patience and support during this process. In addition, a special thank you to Kristin for her role as Sargent-at-Arms.

The members of the Committee met four times from March 18, 2016-April 5, 2016 alternating between Albuquerque and Santa Fe meeting locations. There were eleven members appointed to the Committee and at the first meeting the members voted to allow content experts to attend subsequent sessions for that purpose, only. As you might imagine, some members were able to attend all meetings and others had prior commitments that prevented them from being at all sessions. All in all, I believe there was consistent participation from most members.

The discussions centered on data that was provided and additional data that might be helpful. Committee members were thoughtful and respectful of each other's recommendations and at the last meeting, even though it was extremely difficult, members did reach consensus and voted for one of three sets of recommendations that were presented with staff input and assistance (*see attached packet*).

As Chair of the Provider Payments Cost-Containment Subcommittee to the Medicaid Advisory Committee (MAC), I offer the Committee's final recommendation, represented in the table below.

MAC Provider Payments Cost-Containment Subcommittee Phase 1 - Final Recommendation		Providers Affected	Admin Impact	Total Cost Savings	GF Savings
<b>Provider Rate Reductions - Targeted Reductions</b>					
1	1% reduction for all services currently paid at 90% of Medicare or below (all codes except preventive and OB; includes BH therapies)	All providers paid by fee schedule	SPA	\$1.3-\$1.5 million	\$260,000-\$300,000
2	3% reduction for all services currently paid at 90-100% of Medicare (all codes except preventive and OB; includes BH therapies)	All providers paid by fee schedule	SPA	\$1-\$1.2 million	\$200,000-\$240,000
3	5% reduction for all services currently paid at greater than 100% of Medicare (all codes except preventive and OB; includes BH therapies)	All providers paid by fee schedule	SPA	\$3-\$4 million	\$600,000-\$800,000
4	Discontinue PCP rate increase	Qualifying physicians (1,982 providers)	SPA	\$24-\$26 million	\$5-\$6 million
5	Adjust E&M codes to no less than 85% of Medicare rate OR raise reimbursement for certain preventive services codes	All providers paid by fee schedule	SPA	TBD	TBD
6	5% reduction - hospital inpatient	All hospitals - inpatient services	SPA	\$34-\$36 million	\$7-\$9 million
7	3% reduction - hospital outpatient	All hospitals - outpatient services	SPA	\$11-\$13 million	\$2-\$4 million
8	3% reduction - nursing facilities and ICF-IID	NF and ICF-IID facilities (PACE excluded)	SPA and regulation change	\$7-\$8 million	\$2-\$2.5 million
9	1% reduction - behavioral health providers and agencies (BH therapies and evaluations affected by items 1-3 above; this reduction applies to specialized BH services)	BH providers and agencies	SPA	\$500,000-\$750,000	\$100,000-\$150,000
10	1% reduction - community benefits providers and agencies	All community benefits providers and agencies	SPA	\$3-\$4 million	\$900,000-\$1.5 million
11	2% reduction - dental providers	All dental providers	SPA	\$2-\$3 million	\$400,000-\$600,000
<b>TOTAL:</b>				<b>\$101-\$114 million</b>	<b>\$18.5-\$25 million</b>

We look forward to continuing our work in Phase 2 and plan to begin meeting very soon. We want to assure you that we will continue to work together to achieve the goals you have outlined in your Subcommittee Charge. I look forward to continued discussions and interactions with my colleagues and your staff on these very critical issues.

Sincerely,



Joie Glenn, RN MBA CAE  
Chair

Cc: Nancy Smith-Leslie, Medical Assistance Division Director