

INTRADEPARTMENTAL MEMORANDUM
MAD-IPP: 16-02
DATE: JUNE 29, 2016

TO: HSD STAFF

FROM: *NSL* NANCY SMITH-LESLIE, DIRECTOR, MEDICAL ASSISTANCE DIVISION

THROUGH: *W* KARI ARMIJO, DEPUTY DIRECTOR, MEDICAL ASSISTANCE DIVISION

BY: *RS* ROBERT STEVENS, CHIEF, PROGRAM POLICY BUREAU

**SUBJECT: INTERIM POLICY FOR HOSPITAL OUTLIER PAYMENTS –
EFFECTIVE JULY 1, 2016**

I. GENERAL INFORMATION

HSD proposed a set of Medicaid fee schedule reductions and other Medicaid payment reductions that were described in Provider Supplement 16-01 on April 29, 2016. That Supplement notified Medicaid providers about a set of proposed rate reductions and revised Medicaid fee schedules, and requested public comment through June 1, 2016.

A subsequent Provider Supplement, 16-03, was issued on June 29, 2016. The purpose of Supplement 16-03 was to notify Medicaid providers of the final rate reductions that will go into effect on July 1, 2016, and to clarify and respond to questions that were received during the public comment period. In Supplement 16-03, HSD clarified that the 5% reduction to inpatient hospital reimbursement applies to all payment methodologies for inpatient hospital services, and includes hospital outlier payments.

The purpose of this memorandum is to issue an Interim Policy and Procedure (IPP) for reducing hospital outlier payments effective July 1, 2016, in accordance with the final rate reductions as described in Supplement 16-03. The HSD Medical Assistance Division (MAD) will formally promulgate a revised regulation at NMAC 8.311.3, Methods and Standards for Establishing Payment – Inpatient Hospital Services.

II. REVISED POLICY

Effective July 1, 2016, cases that qualify as hospital outliers in accordance with Subsection G of NMAC 8.311.3.10 and Subsection F of NMAC 8.311.3.12 will be removed from the Diagnosis Related Group (DRG) payment system and paid at an amount equal to **85%** of the hospital's standardized cost. This is a reduction from the current Medicaid fee-for-service (FFS) reimbursement of outlier payments at a rate of 90% of the hospital's standardized cost, and aligns with the overall inpatient hospital reimbursement reduction of 5%.

As defined in Subsection F of NMAC 8.311.3.12, 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. This regulatory language remains unchanged.

As noted above, HSD/MAD will formally promulgate a revised regulation at NMAC 8.311.3, Methods and Standards for Establishing Payment – Inpatient Hospital Services. This IPP supersedes existing NMAC language concerning reimbursement for hospital outlier payments pending execution of the final revised rule.