



Susana Martinez, Governor
Brent Earnest, Secretary
Nancy Smith-Leslie, Director

April 28, 2016

RE: Tribal Notification to Request Advice and Comments Letter 16-09: New Mexico Medicaid State Plan Amendments to Reduce Provider Payments Effective July 1, 2016

Dear Tribal Leadership, Indian Health Service, Tribal Health Providers and other interested parties,

Seeking advice and comments from New Mexico's Indian Nations, Tribes, Pueblos and their health care providers is an important component of the government-to-government relationship with the State of New Mexico. In accordance with the New Mexico Human Services Department's (HSD's) Tribal Notification to Request Advice and Comments process, this letter is to inform you that HSD, through the Medical Assistance Division (MAD), is accepting written comments **until 5:00pm Mountain Day Time (MDT) on Tuesday, May 31, 2016** regarding the following proposed State Plan Amendments (SPAs) and proposed Medicaid provider payment reductions.

- SPA 16-004 Terminate Primary Care Provider (PCP) Enhanced Payments
- SPA 16-005 Outpatient Hospital Reimbursement
- SPA 16-006 Inpatient Hospital Reimbursement
- SPA 16-007 Practitioner and Dental Reimbursement

Due to a serious shortfall in state revenue, largely related to reduced oil and gas taxes, many state program budgets were either reduced or not sufficiently increased to cover current program costs during the 2016 session of the New Mexico Legislature. HSD must comply with the State Legislature's mandate in 2016 House Bill 2, which states that "the department shall reduce reimbursement rates paid to Medicaid providers..." As such, there will be reductions to many Medicaid provider payment rates beginning on July 1, 2016. The proposed reductions will result in targeted savings, while still ensuring that Medicaid provider reimbursement is reasonable.

HSD convened a subcommittee of the Medicaid Advisory Committee (MAC) that was charged with the task of providing a set of recommendations for reductions to provider payments that can be implemented by July 1, 2016, in accordance with House Bill 2. The Department responded to multiple requests for data by the Provider Payments Cost-Containment Subcommittee to assist with the analysis of options for Medicaid provider payment reductions. The subcommittee voted on a final set of recommendations on April 5, 2016, that were formally submitted to HSD on April 8, 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 was extremely helpful in this effort. However,

the subcommittee's recommended reductions would result in less than the targeted amount of \$30 million in general fund savings (or \$140 million total) that are needed from provider rate reductions.

Extensive analysis has been conducted in the development of HSD's proposed Medicaid provider rate reductions, including input from various stakeholders through the MAC subcommittee and public comments received via HSD's website and dedicated email address. Throughout the process, HSD has remained committed to the goal of controlling the growth in Medicaid program costs, while also preserving the core principles of Centennial Care.

After careful consideration of the MAC subcommittee's recommendations and in recognition of the targeted savings goal of \$30 million in general funds, HSD developed its full proposal for provider payment reductions, which is attached to this letter. While the subcommittee's recommendations provided a valuable framework for implementing provider payment reductions, there are some key differences between the subcommittee's recommendations and HSD's proposal that are outlined in the attached proposal document.

A negative impact on Medicaid recipient access to providers as a result of these reductions is not expected. HSD will study the impact of these reductions on Medicaid recipient access and provider participation in the Medicaid program.

Some of the proposed provider payment reductions require revisions to the New Mexico Medicaid State Plan that HSD must file with the federal Centers for Medicare and Medicaid Services (CMS). Proposed revisions to the Medicaid State Plan pages, when applicable, are available to view as described in this letter.

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Current Dental Terminology (including procedure codes, nomenclature, descriptors and other data contained therein) is copyright © 2015 American Dental Association. All rights reserved. Applicable FARS/DFARS apply.

SPA 16-004 – Terminate Primary Care Provider (PCP) Enhanced Payments

The purpose of proposed SPA 16-004 is to obtain federal approval to discontinue the Primary Care Provider (PCP) Enhanced Payment Program. The PCP Enhanced Payment Program was defined in sections 1902(a)(13), 1902(jj), 1905(dd) and 1932(f) of the Social Security Act, as amended by the Patient Protection and Affordable Care Act (ACA), and was originally put into effect for the years 2013 and 2014. Enhanced federal funding was available to states to pay for the increased payments through 2014. HSD chose to extend the PCP Enhanced Payment Program throughout 2015 and into 2016, but proposes to end the program, which is no longer supported by enhanced federal funding, beginning July 1, 2016.

Approvals of provider attestations under the PCP Enhanced Payment Program will end on May 31, 2016. No qualifying claim will be paid at the enhanced rate unless processed and paid prior to October 1, 2016. HSD will cease making enhanced payments through both the Medicaid fee-for-service (FFS) and Centennial Care programs. A portion of the reduction will apply to Indian Health Service (IHS) and other tribal health facilities; however, services paid at OMB rates, ambulatory surgical rates, or any services that are not primary CPT evaluation and management codes will not be affected. If implemented as proposed, IHS and other tribal health providers will no longer receive quarterly or semi-annual additional lump sum payments for dates of service after June 30, 2016.

A negative impact on provider access as a result of ending the PCP Enhanced Payment Program is not expected. Payments made under the program are not broad-based, so the financial impact on most providers is relatively small. There are currently 1,982 individual providers of various specialties who have met the qualifications and conditions for the enhanced payment. This is fewer than 30 percent of all PCPs enrolled in the Medicaid program. In addition, to preserve preventive care for recipients, HSD proposes to increase certain preventive services code rates as an offset to rescinding the PCP Enhanced Payment Program.

The anticipated reduction in payments to providers by ending the PCP Enhanced Payment Program is estimated at approximately \$5-\$6 million in state general funds (or approximately \$24-\$26 million total).

Tribal Impact

Medicaid payments under the PCP Enhanced Payment Program are currently made on a semi-annual or quarterly basis to IHS facilities and other tribal health providers on behalf of practitioners who have attested to and were approved as having met the federal qualification requirements. IHS and other tribal health providers are being paid approximately \$26,000 annually under the PCP Enhanced Payment Program. Therefore, the negative impact of the proposed reduction for these providers is estimated to be a reduction of approximately \$2,167 per month.

Tribal Advice and Comments

Tribes and tribal health care providers may view proposed SPA 16-004 on the HSD webpage at: <http://www.hsd.state.nm.us/providers/written-tribal-consultations.aspx>. HSD will accept comments on this proposed SPA until 5:00pm MDT on Tuesday, May 31, 2016.

SPA 16-005 – Outpatient Hospital Reimbursement; SPA 16-006 – Inpatient Hospital Reimbursement

New Mexico hospitals have benefited significantly from the Adult Expansion of Medicaid. For this reason, HSD proposes to reduce hospital outpatient payments effective July 1, 2016, for hospitals whose reimbursement is based on Outpatient Prospective Payment System (OPPS) rates as follows:

- A 3% reduction to hospital outpatient services at acute care, critical access and outpatient rehabilitation hospitals; and
- A 5% reduction to hospital outpatient services at the University of New Mexico Hospital.

The anticipated reduction in payments to hospitals for outpatient services is approximately \$3-\$4 million in state general funds (or approximately \$12.5-\$17 million total).

HSD also proposes to reduce hospital inpatient payments effective July 1, 2016, for hospitals whose reimbursement is based on the Diagnosis Related Group (DRG) methodology as follows:

- A 5% reduction to the inpatient DRG base rate and pass through amount at acute care and critical access hospitals; and
- An 8% reduction to the inpatient DRG base rate and pass through amount at the University of New Mexico Hospital.

The anticipated reduction in payments to hospitals for inpatient services is approximately \$8-\$10 million in state general funds (or approximately \$38-\$45 million total).

In addition, HSD proposes to reduce Safety Net Care Pool (SNCP) hospital enhanced rates to the level of matching funds available from counties and the \$10 million general fund appropriation in HSD's base budget. The reduction in payments to hospitals under this proposal is approximately \$3-\$4 million in state general funds (or approximately \$28-\$33 million total). Note that the state general fund savings are lower due to the contribution of state matching funds by the University of New Mexico Hospital.

Tribal Impact

Because IHS and tribal health facilities are not reimbursed at OPPS or DRG rates, there is no impact on these facilities. A negative impact on Medicaid recipient access to providers as a result of these reductions is not expected. Hospitals will continue to provide services to Medicaid recipients.

Tribal Advice and Comments

Tribes and tribal health care providers may view proposed SPAs 16-005 and 16-006 on the HSD webpage at: <http://www.hsd.state.nm.us/providers/written-tribal-consultations.aspx>. HSD will accept comments on this proposed SPA until 5:00pm MDT on Tuesday, May 31, 2016.

SPA 16-007 – Practitioner and Dental Reimbursement

Effective July 1, 2016, HSD proposes to reduce Medicaid payments to physicians and other practitioners who are paid according to the Medicaid fee schedule for medical services, evaluation and management services, surgical procedures, laboratory and pathology procedures, radiology procedures, and mental health counseling. The reduction is proposed as follows:

- A 2% reduction for all codes/services currently paid below 90% of the Medicare fee schedule, with the exception of preventive and obstetrical services;
- A 4% reduction for all codes/services currently paid between 90%-100% of the Medicare fee schedule, with the exception of preventive and obstetrical services; and
- A 6% reduction for all codes/services currently paid at greater than 100% of the Medicare fee schedule. If any code/service remains with reimbursement above 94% of the Medicare fee schedule, then the rate would be reduced to 94% of the Medicare rate.

This reduction would include laboratory codes paid on the Medicare Clinical Diagnostic Laboratory fee schedule; as well as "facility-based" services that are typically performed in a physician's office setting, to include the service settings of inpatient hospital, emergency department and nursing facilities.

The proposed reduction was not applied to:

- Codes in the CPT© anesthesia code section that are paid using a rate per anesthesia unit;
- Codes in the CPT© maternity care and delivery section;
- Preventive medicine codes to pay for screenings under the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program or for vaccine administrations under the Vaccines for Children program;

- Telehealth transmission fees;
- Ambulatory surgical centers that are paid for facility costs rather than the service performed; and
- Codes for which there is not a current associated Medicare rate.

Besides the CPT© codes, the HCPC Level II codes for some professional and laboratory services were reduced as indicated in the chart of proposed fee schedule changes.

Providers potentially affected by these payment reductions include any Medicaid practitioner whose services are billed using codes in the CPT© code range 10023 through 99607, with the exception of the excluded codes described above.

Behavioral health providers are affected by these proposed reductions for codes that are in the CPT© code ranges for psychiatric diagnoses, evaluations, and therapies, but **not** for the specialized behavioral health services described below:

- Assertive Community Treatment
- Behavior Management Skills Development
- Comprehensive Community Support Services
- Crisis Intervention other than as a PSR service
- Day Treatment
- Intensive Outpatient Program
- Opioid Treatment Program (formerly known as MAT) methadone services
- Multi-Systemic Therapy
- Psychosocial Rehabilitation (PSR) Program Services
- Partial Hospitalization and Free-Standing Psychiatric Hospitals
- Autism Intervention Services

HSD proposes one additional change to a behavioral health code for H2010 - Comprehensive Medication Services, which is proposed to be reduced from \$54.31 to \$30.00.

The anticipated reduction in payments to Medicaid practitioners is estimated to be approximately \$6-\$7.5 million in state general funds (or approximately \$29-\$33 million total).

In addition to the Medicaid practitioner payment reductions described above, HSD proposes to reduce payment levels for dental services paid according to the Medicaid fee schedule by 3%. The anticipated reduction in payments to dentists is approximately \$600,000-\$1 million in state general funds (or approximately \$3-\$4.5 million total).

HSD also proposes to reduce Medicaid payments to Community Benefit providers and agencies by 1%. These services are reimbursed by the Centennial Care managed care organizations (MCOs) at rates determined by the MCOs. The reduction in payments under this proposal is approximately \$850,000-\$1.2 million in state general funds (or approximately \$3-\$4 million total).

Payment rates for Federally Qualified Health Centers (FQHCs), Rural Health Clinics (RHCs), and IHS and tribal health facilities are not being reduced for services that are paid at encounter or OMB rates.

Tribal Impact

Proposed changes to the Medicaid fee schedule will not affect payment rates for services paid at encounter rates or OMB rates. This includes Indian Health Service (IHS) and tribal health facilities. However, IHS and tribal health facilities **will** be affected by the reduction when they are paid on a fee schedule basis. There will not be a reduction in payments for ambulatory surgical centers at IHS or tribal health facilities, or for dental services paid at the OMB rate. The estimated financial impact to IHS and other tribal health facilities is expected to be approximately \$57,000 annually.

Tribal Advice and Comments

Tribes and tribal health care providers may view proposed SPA 16-007 on the HSD webpage at: <http://www.hsd.state.nm.us/providers/written-tribal-consultations.aspx>. The proposed chart of fee schedule changes can be found at: <http://www.hsd.state.nm.us/providers/fee-for-service.aspx>. HSD will accept comments on this proposed SPA until 5:00pm MDT on Tuesday, May 31, 2016.

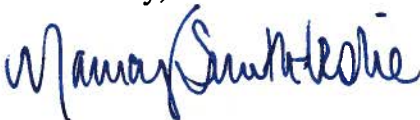
To view the proposed fee schedule, scroll to the bottom of the page, click on “agree”; then click on “submit”. On the page that appears, scroll to the section “Proposed Fee Schedules or Rates.”

Important Dates

Written advice and comments must be submitted by 5:00 p.m. MDT on Tuesday, May 31, 2016. Please send your advice, comments or questions to the MAD Native American Liaison, Theresa Belanger, at (505) 827-3122 or by email at Theresa.Belanger@state.nm.us.

All comments and responses will be compiled and made available after June 3, 2016.

Sincerely,



Nancy Smith-Leslie
Director

cc: Kari Armijo, HSD/MAD Deputy Director
Theresa Belanger, Native American Liaison, HSD/MAD
HSD/MAD Centennial Care Bureau
HSD/MAD Program Policy Bureau