November 23, 2015

To Medicaid Dental Providers and Interested Parties

The New Mexico Human Services Department Medical Assistance Division recently issued a notice for the purpose of receiving comments on proposed payment changes for dental services performed in an outpatient hospital setting.

I. The first proposal was to reduce the amount paid to hospitals from $694.11 to $230.00 for each procedure on each tooth. The proposal was made following a determination that the reimbursement to hospitals at the current amount greatly exceeded costs of hospitals to provide the services. This change is proposed to have an effective date of December 1, 2015.

II. The second proposal was to reduce the amount paid for selected professional dental services in an outpatient hospital setting to 60% of the usual Medicaid dental fee schedule, similar to how physicians are paid when performing procedures in outpatient hospital settings that are usually provided within office settings. In Medicare and Medicaid, “facility based” services that are usually performed in an office setting are paid at a lower rate because the professional practitioner’s practice overhead is often much reduced or even completely eliminated in the hospital.

The reduction in the practitioner’s payment for a service rendered in an outpatient hospital is a principle developed by Medicare many years ago to offset the additional payment to the hospital which is made to cover the hospital’s overhead and other fixed costs that are incurred by the hospital, rather than the practitioner, when the service is rendered in a hospital setting. When a service is provided in the hospital, the hospital typically bears the non-practitioner costs including all the overhead (nursing staff, other staff, utilities, supplies and facility costs). The hospital bills facility charges for the service to cover those costs. Medicare determined that to reimburse a practitioner performing a service in an outpatient non-emergency hospital setting at the same rate it would pay for the services in the office was essentially an overpayment because the hospital bills and is paid for the overhead costs at a facility amount and the practitioner is not entitled to be reimbursed for those overhead costs.

While the same principle applies to any practitioner, including dentists, the situation with a dentist may be different if the dentist is bringing a portable radiology machine, providing a dental assistant, purchasing and providing materials, etc. For these reasons, HSD/MAD is asking for comments from providers on this issue in order to assure that any reduction applied is at an appropriate amount and only for appropriate dental services.

HSD/MAD is revising the second part of the notice to allow time for providers to be more specific in their comments regarding the proposed changes listed below:

1. Imaging performed in an outpatient hospital setting: 
   No reduction in fee amount would be made to the treating dentist if he or she provides the machine and film and is responsible for taking and reading images. A hospital would bill for imaging services only when the hospital provides the machine and film.
2. All other dental procedure codes performed in an outpatient hospital setting:
   We are proposing a 20% reduction in the fee amount paid rather than the 40% reduction as
originally proposed because we have been advised that the dental provider typically provides
some staff, yet the hospital provider is paid for facility costs.

3. Prior Authorization:
   HSD/MAD proposes a prior authorization process for outpatient hospital dental procedures to
assure the outpatient hospital setting is appropriate and medically necessary.

4. Use of Behavior Management Code D9920
   HSD/MAD seeks comment on revising the current instructions regarding the use of the
Behavior Management Code so that, when appropriate, a difficult case that can be seen in the
dental office can have the additional reimbursement for the behavior issue when it is necessary
to perform the services in an outpatient setting.

We understand that dental providers experienced problems with the phone number provided for leaving
verbal comments on the public notice. We apologize for the problem and provide notice of a new time
line to receive comments on the proposals above for dental services delivered in hospital outpatient
setting. After comments are received, reviewed and considered, a new notice applicable to dentist
services provided in an outpatient hospital setting will be issued.

The proposals being made by the Medical Assistance Division would likely impact Managed Care
Organization payments also.

To Make Comments:

For the reduction in payment to the hospital OPPS rate from $694.11 to $230, written mail, electronic mail and
recorded comments must be received no later than 5 p.m. MST on November 30, 2015. The proposed effective
date will be December 1, 2015, as initially proposed.

For comments on the four changes listed above on payment to dentists for services performed in an outpatient
hospital setting, written mail, electronic mail and recorded comments must be received no later than 5 p.m. MST
on January 15, 2016. The effective date for changes resulting from this notice is proposed as March 1, 2016.

Interested persons may address written recorded comments to:
Human Services Department
ATTN: Medical Assistance Division Public Comments
P.O. Box 2348
Santa Fe, New Mexico 87504-2348

Recorded comments may be left at (505) 827-1337. Interested persons may also address comments via
electronic mail to: madrules@state.nm.us.

The decreased expenditures to the Medicaid Program from the change in hospital reimbursement for outpatient
dental services is anticipated to be $11,700,000 annually for hospitals, which includes costs under managed care
plans. Approximately 70% of the reduction amount would be federal matching funds. This change is being
made following a review of the sufficiency of current reimbursement rates and upper payment levels for
outpatient hospitals.