



State of New Mexico
Medical Assistance Program Manual
Supplement



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TO: PROVIDERS PARTICIPATING IN THE NEW MEXICO MEDICAID PROGRAM

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

SUBJECT: NOTICE OF FINAL REDUCTIONS TO THE MEDICAID FEE SCHEDULE AND OTHER MEDICAID PAYMENT REDUCTIONS – EFFECTIVE JULY 1, 2016

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. The New Mexico Human Services Department (HSD) must comply with the 2016 General Appropriations Act, which states that “the department shall reduce reimbursement rates paid to Medicaid providers.” Given this legislated requirement, there will be reductions to certain 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 could be implemented by July 1, 2016, in accordance with the General Appropriations Act. HSD 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. HSD established a targeted reduction of \$30 million in general fund savings (or \$140 million total) needed from Medicaid provider rate reductions. Because the Subcommittee’s recommendations would have resulted in less than the targeted savings, HSD adjusted the recommendations to reach the savings goal based on the principles set forth by the Subcommittee.

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 of the proposed rate reductions and revised Medicaid fee schedules, and

requested public comment through June 1, 2016. The notice of rate reductions and request for public comments was also published in both the *Albuquerque Journal* and the *Las Cruces Sun News* on April 30, 2016. HSD created a dedicated website and email address for accepting comments on cost-containment initiatives, including the proposed rate reductions. In addition, HSD mailed a letter on April 28, 2016, to tribal leadership, Indian Health Service (IHS), and tribal health providers notifying them about the proposed reductions and requesting their comments. The Department held an open comment period concerning the proposed reductions during the May 9, 2016, MAC meeting; and conducted an in-person tribal consultation on June 6, 2016, in response to requests from tribal leadership. To allow for additional time to comment after the tribal consultation, HSD extended the tribal comment timeframe to June 15, 2016.

HSD received numerous comments from providers, tribal representatives and members of the public, which are being summarized and will be made available on the HSD website in the next few weeks. All comments were given serious weight and consideration, and the Department has revised several of its originally proposed reductions in response to concerns that were expressed during the comment period.

The purpose of this Provider Supplement is 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. It is important to note that while HSD is taking action to implement most of the provider rate reductions on July 1, 2016, the Department is also delaying implementation of certain fee schedule reductions until August 1, 2016, based on the public and tribal comments that were received and resulting additional analysis.

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. The Department will issue a proposed Access Monitoring Plan for public and tribal comment in the next several weeks.

A. Practitioner Reimbursement

In Supplement 16-01, HSD proposed 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. HSD also proposed to increase reimbursement for Early and Periodic Screening, Diagnosis and Testing (EPSDT) screens by 5%.

HSD is delaying these changes to the fee schedule for these providers and services until August 1, 2016. Based on the comments that were received, the Department is conducting additional analysis of the fee schedule to ensure greater parity and proportionality in the methodology used for the final rate reductions. HSD will issue another Supplement outlining and explaining the reductions to the fee schedule for these providers and services in July 2016.

B. Dental Reimbursement

In Supplement 16-01, HSD proposed to reduce Medicaid payment levels for dental services paid according to the Medicaid fee schedule by 3%. Effective July 1, 2016, HSD will implement a 2%

reduction to payments for Medicaid dental services. *The 2% reduction replaces the reduction of 3% that was originally proposed by HSD.*

Dental payments to Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs) are not being reduced. Dental codes that are being reduced on the fee schedule will be exempt from the reduction when billed by an FQHC or RHC.

C. Reductions to Community Benefit Providers and Agencies

In Supplement 16-01, HSD proposed to reduce Medicaid payments to Community Benefit providers and agencies by 1%. This reduction will become effective on July 1, 2016, as originally planned.

The 1% reduction will apply to the following codes/services, including all modifiers and code combinations:

Service Description	Code
Home Visit Day Life Activity	99509
Coordinated Care Fee, Home Monitoring	G9006
Day Care Services, Adult, per 15 Minutes	S5100
Day Care Services, Adult, per 15 Minutes	S5110
Home Health Aide or Certified Nurse Assistant, Providing Care in the Home	S9122
RN Services up to 15 Minutes	T1002
LPN/LVN Services up to 15 Minutes	T1003
Personal Care Services, per 15 Minutes	T1019

D. Discontinuing the Primary Care Provider (PCP) Enhanced Payment Program

In Supplement 16-01, HSD proposed to discontinue the Primary Care Provider (PCP) Enhanced Payment Program, as defined in sections 1902(a)(13), 1902(jj), 1905(dd) and 1932(f) of the Social Security Act, and as amended by the Patient Protection and Affordable Care Act (ACA). The PCP Enhanced Payment Program was originally put into effect for the years 2013 and 2014 with enhanced federal funding through 2014. HSD chose to extend the PCP Enhanced Payment Program through 2015 and into 2016 without enhanced federal funding.

This program will cease on July 1, 2016, as originally proposed by HSD. Approvals of provider attestations under the program were discontinued on May 31, 2016, and 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.

E. Hospital Reimbursement

Outpatient Hospital Reimbursement

In Supplement 16-01, HSD proposed reductions to both inpatient and outpatient hospital reimbursement. HSD's original proposal to reduce hospital outpatient rates by 3%, with a differential reduction of 5% to hospital outpatient reimbursement at the University of New

Mexico Hospital (UNMH), has been revised. ***Effective July 1, 2016, HSD will implement a 3% reduction to hospital outpatient reimbursement at acute care, critical access and outpatient rehabilitative hospitals. The final 3% hospital outpatient reduction includes UNMH.*** This revision to the original proposed reduction was made in response to concerns expressed by tribal leaders and others about access to care for tribal members and others at UNMH due to the higher differential reduction.

Providers will note that rates for outpatient hospital laboratory services were reduced by 6%, which will align with the Medicaid fee schedule for laboratory services. The implementation of this reduction was completed in two parts: (1) A reduction to reflect an adjustment to the Centers for Medicare and Medicaid Services (CMS) Clinical Diagnostic Laboratory (CDL) rates for 2016, and (2) an additional 6% reduction to reflect movement of the Medicaid fee schedule to 94% of the Medicare rate for laboratory services.

Inpatient Hospital Reimbursement

In Supplement 16-01, HSD proposed to reduce hospital inpatient payments for hospitals whose reimbursement is based on the Diagnosis Related Group (DRG) methodology. HSD's original proposal to reduce hospital inpatient rates by 5%, with a differential reduction of 8% to UNMH, has been revised. ***Effective July 1, 2016, HSD will implement a 5% reduction to hospital inpatient reimbursement at acute care and critical access hospitals. The final 5% hospital inpatient reduction includes UNMH.*** This revision to the original proposed reduction was made in response to concerns expressed by tribal leaders and others about access to care for tribal members and others at UNMH due to the higher differential reduction.

With this Supplement, HSD clarifies that ***the 5% reduction applies to all payment methodologies for inpatient hospital services.*** While the Medicaid FFS program generally reimburses hospitals based on the DRG methodology, the Department acknowledges that hospitals may be paid using different methodologies under the Centennial Care program. The reduction applies to these methodologies as well as to the DRG methodology, and includes hospital outlier payments. In addition, HSD clarifies that the 5% reduction applies to both border area and out-of-state hospitals.

Please note that there are some specific exemptions to the inpatient hospital reduction, which are:

- Inpatient rehabilitative and Long-Term Acute Care (LTAC) hospitals;
- Free-standing psychiatric hospitals and separate inpatient psychiatric units; and
- Rates paid in accordance with OMB Circular A-87.

The 5% reduction does not apply to these inpatient facilities and/or reimbursement rates.

Safety Net Care Pool (SNCP) Rates

In Supplement 16-01, HSD proposed 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. Effective July 1, 2016, HSD will adjust the

increased reimbursement to SNCP hospitals from 62% to 49.5% above the base rate. The enhanced rate for UNMH remains unchanged at 45% above the base rate.

F. Opportunity to View Fee Schedules

Revised fee schedules may be found on the Department's website at:

<http://www.hsd.state.nm.us/providers/fee-for-service.aspx>. Scroll to the bottom of the page, click on "Agree"; then click on "Submit".

Questions about these rate reductions may be directed to the HSD Medical Assistance Division at (505) 827-3100.