



Michelle Lujan Grisham, Governor  
David R. Scrase, M.D., Secretary  
Nicole Comeaux, J.D., M.P.H., Director

## Special COVID-19 Letter of Direction #23

**Date:** June 1, 2022

**To:** Centennial Care 2.0 Managed Care Organizations

**From:** Nicole Comeaux, Director, Medical Assistance Division 

**Subject:** COVID-19 Temporary Hospital Payment Rates  
Effective January 1, 2022, through June 30, 2022

**Title:** 2022 COVID-19 Temporary Hospital Payment Rate Increases

The purpose of this Letter of Direction (LOD) is to provide guidance to the Centennial Care 2.0 Managed Care Organizations (MCOs) for implementation of rate increases related to the national public health emergency associated with the 2019 Novel Coronavirus (COVID-19) outbreak for the following provider types:

- 201 In-state inpatient and outpatient hospital services for General Acute Care Hospitals
- 202 Rehabilitation Hospitals
- 203 Inpatient Hospital Rehabilitation Hospitals
- 204 PPS-exempt Psychiatric Hospitals, and
- 205 Psychiatric Hospitals

In the 2022 New Mexico Legislative Session, the Human Services Department Medical Assistance Division (HSD/MAD) received an appropriation in House Bill 2 for a temporary payment increase for hospitals. HSD received approval for the directed payment in accordance with Section 438.6(c) during calendar year 2022 (CY2022) for dates of service January 1, 2022, through June 30, 2022 from the Centers for Medicare and Medicaid Services.

The temporary Hospital COVID-19 directed payment is structured as a uniform dollar increase for inpatient and outpatient hospital services. The two hospital classes eligible for this payment are rural/frontier and urban hospitals. The payment increases will be allocated to the MCOs and (subsequently paid by the MCOs to the provider) paid based on actual utilization of the provider by each MCO. All inpatient and outpatient services provided by the eligible provider within each respective class will receive the same uniform increase. The payment arrangement will be paid on separate payment terms outside of the monthly capitation rates.

The inpatient and outpatient services subject to this directed payment are authorized in the State plan and the managed care delivery system for these services is authorized under the Centennial Care 2.0 section 1115 demonstration authority.

### **Hospital Services Rate Increase**

HSD will inform the MCOs to make payments to all contracted hospitals based on HSD's calculations of amounts owed to each hospital for the period of January 1 through June 30, 2022, consistent with the CMS-approved Directed Payment. ***The MCOs must make electronic deposits for the Directed Payment program to contracted hospitals based on HSD's calculations and the payment must be received by the provider within 10 days of receipt by MCO from HSD for each respective quarter.*** These rate increases are applicable to only in-state hospitals and do not apply to out-of-state or border hospitals.

### **Directed Payment Operational and Reporting Requirements**

The temporary Hospital COVID-19 Directed Payments are classified as revenue attributed to medical expenses and are therefore classified as "premium". The quarterly payments will include gross-up amounts to reflect applicable underwriting gain and premium taxes. The directed payments will be included in the MCO's medical loss ratio and underwriting gain calculations outlined in the CC 2.0 Contract Amendment #2 (Section 7.2).

Reporting requirements for the temporary Hospital COVID-19 Directed Payments are set forth below:

- Each MCO is directed to report the revenue received for the directed payment in the quarterly and annual Financial Reporting package as "other revenue". The amounts recorded in the financial reporting package **must** match the total payment made by MAD to the MCO by rate cohort.
- Each MCO is directed to report the amount paid by the MCO to hospitals for the directed payment in the quarterly and annual Financial Reporting package as "other services". The amounts recorded in the financial reporting package **must** match the total payment made by MAD to the MCO by rate cohort.
- Amounts paid by the MCO to hospitals for the directed payment should also be reported in FIN-Report #5 for "Other Services" in the Shared Risk/Incentive Arrangements (All programs – Line 42). This will ensure that the FIN-Report Check Totals tab do not trigger submission errors.
- The directed payments are classified as revenue attributed to medical expenses and therefore classified as "premium". The quarterly payments will include gross-up amounts to reflect applicable risk/margin and premium taxes.
  - MAD will provide each MCO the amount of the directed payment and break out the gross-up amounts for each rate cohort.

Reconciliations performed as part of the CC 2.0 MCO contract (Retroactive Period and Patient Liability) will not include the temporary Hospital COVID-19 Directed Payment revenue or expense.

This Special COVID-19 Letter of Direction is effective immediately and will sunset when HSD determines all payments have been completed.