



HUMAN SERVICES
DEPARTMENT

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Letter of Direction #20

Date: December 5, 2019
To: Centennial Care 2.0 Managed Care Organizations
From: Nicole Comeaux, Director, Medical Assistance Division *MP for NC*
Subject: Hospital Payment Rates Effective July 1, 2019 Repeal & Replace LOD #14
Title: 2019 Hospital Payment Rate Increases Repeal and Replace

This Letter of Direction (LOD) repeals and replaces all previously issued versions of LOD #14. Specifically, this LOD makes four changes to prior instruction by the Human Services Department (HSD):

1. Clarifies that radiology services were included in the inpatient and outpatient hospital rate increases that went into effect on July 1, 2019;
2. Establishes deadlines for reprocessing claims for inpatient and outpatient hospital services that were not paid at correct rates subsequent to the July 1, 2019, rate increases;
3. Clarifies that the July 1, 2019, rate increases were not intended as an opportunity for the Centennial Care managed care organizations (MCOs) to reduce or renegotiate rates downward for hospital providers; and
4. Changes the requirement for MCO progress reporting to weekly instead of biweekly.

On May 28, 2019, HSD announced its intention to raise Medicaid hospital payment rates effective July 1, 2019. This increase, together with the Medicaid provider payment increases that were announced on May 15, 2019, represent the first components of a multi-phase strategy to address low Medicaid reimbursement across the delivery system. The proposed rate increases were supported, endorsed and funded by the New Mexico Legislature during the 2019 regular session.

The purpose of this LOD is to direct MCO implementation of the inpatient and outpatient hospital rate increases that are described in the May 28th public notice. All of the rate increases explained in this LOD have been calculated and considered as a component of the MCO capitation rates that are effective July 1, 2019.

With this LOD, HSD clarifies that the increases set forth below apply to all payment methodologies for inpatient and outpatient hospital services, except where noted specifically in this directive. The Department acknowledges that inpatient and outpatient services may be paid using different methodologies from the Medicaid fee-for-service (FFS) program under Centennial Care. HSD is not directing the MCOs to revise their payment methodologies; however, all increases described in this LOD must be passed to hospital providers at the rates and percentages directed by the Department below.

Additionally, HSD clarifies that the intention of this rate change is to raise reimbursement rates for inpatient and outpatient hospital services. Reductions to rates are not considered in the MCO capitation rates and should not be imposed upon providers through this initiative. Provider recontracting that may be necessary to raise hospital rates to the directed levels should not be considered an opportunity for downward rate negotiation by the MCOs.

1. Increase in Payment Rates for Inpatient Hospital Services

The MCOs are directed to increase Medicaid reimbursement rates for inpatient hospital services as follows:

- Increase of 14 percent for Safety Net Care Pool (SNCP) hospitals;
- Increase of five percent for UNM Hospital; and
- Increase of 12 percent for all other in-state hospitals.

Additionally, HSD will change the fee-for-service (FFS) reimbursement policy for hospital outlier claims with a retroactive effective date of July 1, 2019. Reimbursement for outlier claims will increase from 85 percent to 90 percent of the hospital's standardized cost. HSD recognizes that the MCOs may not pay hospitals for outlier claims in accordance with the FFS methodology; however, the MCOs are directed to raise their reimbursement rates for outliers by five percent to correspond with the FFS increase. HSD confirms that outlier payments are made for qualifying claims in lieu of (rather than in addition to) the inpatient payment.

a. Provider Type 201

For provider type 201, HSD applied the inpatient hospital increase to Diagnosis-Related Group (DRG) rates paid to general acute care hospitals, including critical access hospitals, by raising both the provider-specific amount and the pass-through amount. Neither the DRG weight nor the cost-to-charge ratio was changed. See below:

DRG Formula = **Provider-Specific Amount*** x DRG Weight + **Pass-Through Amount***

**The rate increase percentages were applied to the Provider-Specific Amount and the Pass-Through Amount only*

The MCOs are directed to apply a corresponding increase to each inpatient hospital facility, regardless of whether MCO reimbursement is paid based on the DRG methodology. The DRG hospital rates can be found on HSD's website at www.hsd.state.nm.us/providers/fee-for-service.aspx; a copy has been provided with this LOD.

Please note that rates paid in accordance with OMB Circular A-87 are not being raised as part of this initiative. Also note that these increases do not apply to out-of-state hospitals.

b. Provider Types 202, 203, 204 and 205

Specialty hospitals and units, including rehabilitation and extended care (long-term acute care) hospitals; and free-standing psychiatric hospitals and units, are generally paid a percentage of their billed charges and then cost-settled under the FFS program, and not based on the DRG formula. For these facilities, HSD applied the appropriate percentage increase as described above to the inpatient component (Component A) of each facility's FFS cost-settlement ratio.

The MCOs are directed to apply a corresponding increase to each facility, regardless of the MCO reimbursement formula used. For distinct units that are associated with a SNCP facility, the MCOs are directed to apply the 12 percent increase. Since these facilities are cost-settled under the FFS program, the SNCP program was not extended to these provider types, and there are no fee schedules to reference or post on the HSD website.

These increases do not apply to out-of-state facilities.

2. Increase in Payment Rates for Hospital Outpatient Services

The MCOs are directed to increase Medicaid reimbursement rates for outpatient hospital services as follows:

- Increase of 25 percent for SNCP hospitals;
- Increase of 10 percent for UNM Hospital; and
- Increase of 18 percent for all other in-state hospitals.

HSD applied the increase to provider types 201, 202, 203, 204 and 205 by raising the percentage paid to each provider under the Outpatient Prospective Payment System (OPPS) by the appropriate amount based on the provider's category as set forth above.

The rate increase for hospitals is limited to the provider types 201-205. HSD clarifies that radiology services billed under provider types 201-205 are included in the increase. Outpatient laboratory services were not adjusted as part of this increase, since such services currently align with the Medicaid FFS fee schedule. In accordance with the CMS State Medicaid Manual, Medicaid reimbursement for clinical diagnostic laboratory tests may not exceed the Medicare reimbursement amount

The MCOs are directed to apply a corresponding increase to each facility, regardless of the MCO reimbursement formula used. The HSD OPPS fee schedule shows what payments to providers would be at 100 percent of the OPPS rate; therefore, HSD is not making adjustments to this document. The OPPS fee schedule is posted at www.hsd.state.nm.us/providers/fee-for-service.aspx for MCO reference.

HSD has posted the OPPS rates by facility to the HSD website at the above-referenced link; a copy has been provided with this LOD.

As noted above, rates paid in accordance with OMB Circular A-87 are not being raised as part of this initiative. These increases do not apply to out-of-state facilities.

3. Rate Increase Implementation Timeframes and Reporting

The MCOs are directed to implement changes associated with these instructions, including system changes and provider contract negotiations as needed no later than 60 days from the date of issuance of this directive. For any claims submitted after July 1, 2019, but not paid based on these new parameters, the MCOs are directed to readjust payments retroactive to July 1, 2019. HSD directs the MCOs to provide weekly updates to HSD on the status of implementation and claim reprocessing every Friday by 5pm until further directed by HSD to cease reporting.

The General Appropriations bill (HB 2) which appropriated funding to increase rates paid to hospitals specifically provided that “[t]he department shall ensure the approved increases are paid by the managed care organizations to hospitals”. HSD will create a reporting template to monitor MCO implementation of the increases and the directives herein. We will provide a draft template to you shortly for review and comment, but please know that the template must require each MCO to provide hospital-specific information on the increases. HSD will enforce additional monitoring through quarterly reviews of MCO encounter data to ensure that rates were increased, and services were added in accordance with HSD policy as described in this LOD.

4. Deadlines for Claim Reprocessing

The deadline to reprocess claims for the inpatient and outpatient hospital rate increase is 5:00pm on Tuesday, December 10, 2019, with the exception of claims for radiology.

The deadline to reprocess claims for radiology associated with this directive is January 15, 2020.

Attachments:

1. FFS DRG Inpatient Hospital Rates
2. Percent's of OPSS Rates Paid to Hospitals Effective 7-01-2019 (revised 9.23.2019)

LOD #20 Attachment #1 FFS DRG Inpatient Hospital Rates

**Hospital Inpatient Reimbursement Effective July 1, 2019
New Mexico Medicaid Hospital Payment Rates for Diagnosis Related Group (DRG) Calculations and Outlier Calculations**

Hospital Name	Rate Effective 7.1.2019	Pass Through Effective 7.1.19	Safety Net Care Pool
Alta Vista Regional Hospital	\$4,498.33	\$ 325.97	Rate Includes SNCP
Artesia General Hospital	\$6,178.69	\$ 261.65	Rate Includes SNCP
Carlsbad Medical Center	\$4,560.26	\$ 257.29	Rate Includes SNCP
Christus St. Vincent Regional Medical	\$5,204.04	\$ 380.47	Rate Includes SNCP
Cibola General Hospital	\$6,178.69	\$ 214.76	Rate Includes SNCP
Dan C. Trigg Memorial Hospital	\$5,618.03	\$ 319.42	Rate Includes SNCP
Eastern New Mexico Medical Center	\$5,689.74	\$ 269.28	Rate Includes SNCP
Gerald Champion Regional Medical Center	\$4,835.72	\$ 341.22	Rate Includes SNCP
Gila Regional Medical Center	\$4,446.18	\$ 312.88	Rate Includes SNCP
Guadalupe County Hospital	\$5,228.51	\$ 64.32	Rate Includes SNCP
Holy Cross Hospital	\$5,494.17	\$ 329.23	Rate Includes SNCP
Lea Regional Medical Center	\$5,052.46	\$ 203.86	Rate Includes SNCP
Lincoln County Medical Center	\$6,178.69	\$ 280.17	Rate Includes SNCP
Los Alamos Medical Center	\$5,163.31	\$ 260.56	Rate Includes SNCP
Lovelace Medical Center - Downtown	\$3,312.78	\$ 831.14	
Lovelace Regional Hospital - Roswell	\$4,915.55	\$ 378.03	Rate Includes SNCP
Lovelace Westside Hospital	\$3,393.12	\$ 1,028.20	
Lovelace Women's Hospital	\$3,393.12	\$ 226.00	
Memorial Medical Center	\$5,037.81	\$ 257.29	Rate Includes SNCP
Mimbres Memorial Hospital	\$3,134.17	\$ 92.66	Rate Includes SNCP
Miners Colfax Medical Center	\$6,178.69	\$ 244.21	Rate Includes SNCP
Mountainview Regional Medical Center	\$5,618.03	\$ 368.48	Rate Includes SNCP
Nor-Lea General Hospital	\$6,178.69	\$ 106.84	Rate Includes SNCP
PHP Espanola Hospital	\$4,913.93	\$ 424.08	Rate Includes SNCP
Plains Regional Medical Center	\$4,325.56	\$ 149.35	Rate Includes SNCP
Presbyterian Hospital (Santa Fe)	\$3,400.32	\$ 336.10	

LOD #20 Attachment #1 FFS DRG Inpatient Hospital Rates

Hospital Name	Rate Effective 7.1.2019	Pass Through Effective 7.1.19	Safety Net Care Pool
Presbyterian Hospital (Albuquerque)	\$3,755.14	\$ 379.15	
Rehobeth McKinley Christian Health Care	\$5,360.48	\$ 460.06	Rate Includes SNCP
Roosevelt General Hospital	\$4,915.55	\$ 368.48	Rate Includes SNCP
San Juan Regional Medical Center	\$5,557.72	\$ 262.74	Rate Includes SNCP
Sierra Vista Hospital	\$5,161.67	\$ 189.69	Rate Includes SNCP
Socorro General Hospital	\$6,178.69	\$ 336.87	Rate Includes SNCP
Union County General Hospital	\$5,186.10	\$ 850.34	Rate Includes SNCP
University Hospital of New Mexico	\$5,440.94	\$ 379.22	Rate Includes SNCP
UNM Sandoval Regional Medical Center Inc	\$3,230.30	\$ 319.30	
*Out of State Hospitals	\$2,923.89	\$ 252.46	

*Outlier Calculation: Billed charges x Cost to Charge Ratio x 90% (a 5% increase from the previous 90%)

Percents of OPPS Rates Paid to Hospitals Effective 7-01-2019

(Revised 9.23.2019)

In the MAD/Conduent MMIS Omnicaid computer system, the OPPS rate is maintained as a fixed rate. The payment to the providers is made at a percent of the OPPS rate maintained in the system. Until July 1, 2019, the payment rate for all acute care and rehab hospital outpatient OPPS payments were made at 97% of the OPPS rate for the procedure except for critical access hospitals which have their own specific percentage as indicated in the chart below.

Beginning July 1, 2019, the rate for the hospitals is being increased from 97% of the OPPS rate to 114.46% or 121.25% (see chart below) of the OPPS rate. Also, the unique rate for each critical access hospital is being increased by **25 percent**. The new OPPS rates are shown on the chart below.

There is a special situation regarding laboratory codes, most of which are in the 80000 series of CPT. Beginning July 1, 2016, laboratory codes that are on the federal Clinical Diagnostic Lab Code list will be paid at 94% of that federal Medicare schedule for New Mexico. The percent of the OPPS rate paid to a hospital does not apply to these codes. Rather, there is a fee schedule for those codes and they remain at 100% of the fee schedule amount and are not increased for critical access hospitals.

There are other lab codes to which the provider reimbursement percentage does apply. They also may be considered "packaged" and therefore not paid to providers. These are included in the OPPS fee schedule.

Provider Type	Provider Description	Provider Name	FFS Provider ID	Begin New Rate	7-1-2019 Payment Percent of the OPPS Rate	Previous Percent of the OPPS Rate
201	Hospital, General Acute	UNION COUNTY GENERAL HOSPITAL	000B2253	7/1/2019	327.205%	261.764%
201	Hospital, General Acute	SIERRA VISTA HOSPITAL	00000216	7/1/2019	323.023%	258.418%
201	Hospital, General Acute	CIBOLA GENERAL HOSPITAL	00000729	7/1/2019	259.536%	207.629%
201	Hospital, General Acute	HOLY CROSS HOSPITAL	00000760	7/1/2019	211.250%	169.000%
201	Hospital, General Acute	DAN C TRIGG MEMORIAL HOSP	00000646	7/1/2019	197.699%	158.159%
201	Hospital, General Acute	MINERS COLFAX MEDICAL CENTER	00000968	7/1/2019	187.744%	150.195%
201	Hospital, General Acute	SOCORRO GENERAL HOSPITAL	00000695	7/1/2019	182.421%	145.937%
201	Hospital, General Acute	MIMBRRES MEMORIAL HOSPITAL	000B2113	7/1/2019	173.388%	138.710%
201	Hospital, General Acute	NOR-LEA GENERAL HOSPITAL	00000901	7/1/2019	172.381%	137.905%
201	Hospital, General Acute	LINCOLN COUNTY MEDICAL CENTER	00000521	7/1/2019	169.265%	135.412%
201	Hospital, General Acute	ALTA VISTA REGIONAL HOSPITAL	00076546	7/1/2019	121.250%	97.000%
201	Hospital, General Acute	ARTESIA GENERAL HOSPITAL	000B3279	7/1/2019	121.250%	97.000%
201	Hospital, General Acute	CARLSBAD MEDICAL CENTER	000B3186	7/1/2019	121.250%	97.000%
201	Hospital, General Acute	EASTERN NM MEDICAL CENTER	000B2978	7/1/2019	121.250%	97.000%
201	Hospital, General Acute	GERALD CHAMPION REGIONAL	00000018	7/1/2019	121.250%	97.000%
201	Hospital, General Acute	GILA REGIONAL MEDICAL CENTER	00000570	7/1/2019	121.250%	97.000%
201	Hospital, General Acute	GUADALUPE COUNTY HOSPITAL	000B5936	7/1/2019	121.250%	97.000%
201	Hospital, General Acute	LEA REGIONAL MEDICAL CENTER	000B3139	7/1/2019	121.250%	97.000%
201	Hospital, General Acute	LOS ALAMOS MEDICAL CENTER	04924258	7/1/2019	121.250%	97.000%
201	Hospital, General Acute	LOVELACE REGIONAL HOSPITAL - ROSWELL	97950084	7/1/2019	121.250%	97.000%
201	Hospital, General Acute	MEMORIAL MEDICAL CENTER	67939864	7/1/2019	121.250%	97.000%
201	Hospital, General Acute	MOUNTAINVIEW REGIONAL MEDICAL CTR	95804528	7/1/2019	121.250%	97.000%
201	Hospital, General Acute	PLAINS REG MED CTR-CLOVIS	00000224	7/1/2019	121.250%	97.000%
201	Hospital, General Acute	PRESBYTERIAN ESPANOLA HOSPITAL	00000265	7/1/2019	121.250%	97.000%
201	Hospital, General Acute	REHOBOTH MCKIMLEY CHRISTIAN HEALTH CARE SVCS	00000331	7/1/2019	121.250%	97.000%
201	Hospital, General Acute	ROOSEVELT GENERAL HOSPITAL	000G8465	7/1/2019	121.250%	97.000%
201	Hospital, General Acute	SAN JUAN REGIONAL MEDICAL CTR	00000299	7/1/2019	121.250%	97.000%
201	Hospital, General Acute	ST VINCENT HOSPITAL	00000547	7/1/2019	121.250%	97.000%
	State Teaching Hospital	UNIVERSITY OF NM HOSPITAL	00000067	7/1/2019	106.700%	97.000%
	Any Other Hospital			7/1/2019	114.460%	97.000%

Revised 9.23.2019