



State of New Mexico
Medical Assistance Program Manual
Supplement



DATE: October 6, 2010

NUMBER:10-08

TO: ALL ACUTE CARE AND REHABILITATION HOSPITAL PROVIDERS
PARTICIPATING IN THE NEW MEXICO MEDICAID PROGRAM

FROM: JULIE WEINBERG, DIRECTOR, MEDICAL ASSISTANCE DIVISION

**SUBJECT: IMPLEMENTATION OF OUTPATIENT HOSPITAL PROSPECTIVE
PAYMENT SYSTEM EFFECTIVE NOVEMBER 1, 2010.**

The Human Services Department is implementing an outpatient hospital prospective payment system (OPPS) reimbursement methodology effective for dates of service beginning November 1, 2010 with payment rates being set at 100% of the Medicare standard rate. Special provisions will apply to the six critical access hospitals in the state.

Also, in order to minimize the impact of managed care organization changes on hospitals, managed care organizations will be funded to an extent that will permit them to pay 120% of the Medicare standard rate for the five month period, November 1, 2010 through March 31, 2011, as a "step-down" phase-in.

On September 23, 2010, there was a public hearing on the proposed reimbursement schedule. Comments were received on the date of the hearing as well as prior to the hearing. Providers are able to continue to comment on details of the payment system and the reimbursement levels through December 1, 2010, which is 30 days following the implementation of OPPS.

The payment rate for hospitals in the fee-for-service Medicaid program under OPPS will be at 100% of the Medicare standard rate except for the six critical access hospitals in New Mexico. The critical access hospitals will each be reimbursed at a percent above the Medicare standard rate to equal their most recent pre-audit cost to charge ratio.

A summary of the comments and responses is available on the Medical Assistance Division website, as is other detailed information and updates on this project at:
<http://www.hsd.state.nm.us/mad/PFeeSchedules.html>

From the comments received, The Medical Assistance Division notes that it is important that hospitals be aware of the following:

- A. The Medicaid program does not intend to automatically limit payment to the allowed maximum units. Rather, similar to Medicare, MAD and ACS will review some claims to determine if the units billed are reasonable.

- B. The services covered by Medicaid that are not covered by Medicare include dental services, mainly audiology and hearing services and devices, some therapies, ambulance services, and preventative health checks and screenings for the children's Early and Periodic Screening, Diagnosis, & Treatment (EPSDT) program. Only a small number of hospitals bill for these services. There are two types of services that can be provided by the hospital. For some services the hospital only bills for use of the facility while a professional provider bills separately for the professional component of the service. Dental services would be a primary example of this type of billing. For other services, the hospital should actually be paid for rendering the service, such as when a physical therapist on the hospital staff provides the service and no physician level service is included in the billing. MAD will review the prices for such services and assure proper pricing has been established.
- C. There is no intent to alter the services covered by the New Mexico Medicaid Program by implementing the OPPS reimbursement methodology.
- D. MAD is not making any assurance that OPPS conversion factor will be updated annually. As is true for most Medicaid providers, changes to the levels of reimbursement are made periodically but are not necessarily annually. Depending on the service, most Medicaid fee schedule payments are somewhat below the Medicare rates even if they are periodically re-set based on Medicare rates. For most hospitals, the OPPS rates will range from 6.6% to 2.75% above the rate they are paid by Medicare.
- E. Based on comments, MAD will not limit the payment of the line to the lower of the Medicaid rate or the billed amount.
- F. For critical access hospitals, Medicaid will implement special provisions by paying a percentage of the Medicare standard rate to approximate the hospital's reported cost to charge ratio. For example, a specific hospital may be paid 128% of the Medicare standard rate if that is what is necessary to approximate reimbursement at the hospital's cost to charge ratio.
- G. In order to minimize the impact of managed care organization changes on hospitals, managed care organizations will be funded to an extent that will permit them to pay 120% of the Medicare standard rate for the five month period, November 1, 2010 through March 31, 2011, as a "step-down" phase-in. Following that time period, managed care organizations will be funded to an extent that will permit them to pay 100% of the Medicare standard rate, except for critical access hospitals.
- H. Regarding "token billing", the principle that a provider can bill a very small amount such as 1 cent for some item and the payer will know not to pay anything on that charge, the Medical Assistance Division will look into making this change to the payment system. It appears that this is most commonly used to bill for a vaccine that was provided at no cost by the Vaccines for Children program. Providers will be notified of any change that is made to the system regarding token billing.

Providers should bill the Medicaid program in the same manner that Medicare is billed, always providing a correct CPT or HCPCS codes for a service.

Providers may view the rates on the MAD website by clicking on the "Provider Information" bullet and selecting "Fee for Service" from the drop down list which links to the following web page:

<http://www.hsd.state.nm.us/mad/PFeeSchedules.html>

Copies of all comments will be made available by the Medical Assistance Division upon request by providing copies directly to a requestor or by making them available on the MAD website or at a location within the county of the requestor. Contact Tabitha Mondragon at Tabitha.Mondragon@state.nm.us or at the following address:

Benefit Services Bureau
HSD/Medical Assistance Division
PO Box 2348
Santa Fe, NM 87504-2348

If you have questions regarding the above information, you may contact the Benefits Bureau at (505) 827-3171.

We appreciate your participation in the Medicaid program.