



Office of the Governor

MICHELLE LUJAN GRISHAM

FOR IMMEDIATE RELEASE:

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**Gov. Lujan Grisham announces increasing
Medicaid hospital reimbursement rates**

\$168.7 million targeted for inpatient and outpatient hospital services

SANTA FE – Gov. Michelle Lujan Grisham on Tuesday announced her plan to increase Medicaid hospital reimbursement rates for inpatient and outpatient services by \$168.7 million effective July 1.

The hospital reimbursement increases are part of a multi-phase strategy to address the low Medicaid reimbursement rates for those who deliver care and services to the most vulnerable New Mexicans and help rebuild and protect New Mexico's health care delivery network. These rate increases will compensate hospitals for their growing business expenses and restore rates that were reduced in 2016 by the previous administration; they can be adjusted to account for upward cost inflation.

"New Mexicans deserve the very best health care," Gov. Lujan Grisham said. "With the commitment of the Legislature, this state is going to provide the best access and the best quality of service that we can. We are rebuilding our health care delivery network step by step, and I'm certain we will see cascading positive effects in communities across the state, particularly rural communities."

The proposed hospital rate increases were endorsed by the New Mexico Legislature during the 2019 session, when lawmakers approved \$34 million in state general funds in House Bill 2. The Human Services Department can match this appropriation with \$134.7 million of federal funds, investing a total of \$168.7 million to increase the rates for hospitals in our state.

"I want to recognize and thank Jeff Dye, president and CEO of the New Mexico Hospital Association, and Russell Toal, the deputy secretary at HSD, for their exemplary hard work on this complex effort to bring these increases to fruition," said HSD Secretary David R. Scrase, M.D. "It has been more than ten years since the last Medicaid hospital rate increase. We cannot expect New Mexico hospitals to expand needed services to our Medicaid members if we do not provide them with the resources they need to do so. We also know that these investments will provide economic stimulus to these hospitals' communities, most of which are rural."

"We are very excited about this increase," said Nicole Comeaux, HSD Medicaid director. "However, we do want to be as transparent as possible and make sure that folks know that these are very tight timelines. We have asked our accountable Managed Care Organization partners to make sure they take the time they need to configure and test the new rates in their systems. We expect there may be a temporary delay in payments for services after the July 1, 2019, effective date to ensure hospitals are paid correctly at the new rates and do not have an excessive administrative burden."

In a document posted Tuesday for public comment, the Medicaid program outlines the following proposed changes (dollar amounts below reflect state and federal funds combined):

1. Increase in payment rates for inpatient hospital services

Effective July 1, 2019, HSD proposes to raise 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 proposes to increase payments for hospital outlier claims from 85 percent to 90 percent of the hospital's standardized cost, as determined in accordance with program regulations per 8.311.3 NMAC.

The anticipated annual fiscal impact to HSD for this increase is estimated to be \$80.1 million total in state and federal funds combined, with a state general fund impact of \$16.4 million.

2. Increase in payment rates for hospital outpatient services

Effective July 1, 2019, HSD proposes to raise 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.

The anticipated annual fiscal impact to HSD for this increase is \$88.6 million total in state and federal funds combined, with a state general fund impact of \$17.6 million.

3. Additional proposed changes planned for Oct. 1, 2019

HSD intends to make additional Medicaid reimbursement changes for hospitals on Oct. 1, 2019, to address SNCP and other hospital reimbursement policies. Additional details about these forthcoming changes will be sent in a notice to the public with a request for input and comments.

“The hospitals of New Mexico are exceptionally pleased with the work by the governor, the Legislature and the Human Services Department to support hospitals in our critical mission of patient care,” said Jeff Dye, president and CEO of the New Mexico Hospital Association. “Increased hospital rates enhance access to care for Medicaid recipients and all patients across New Mexico. Physician recruiting, quality improvement and equipment replacement will all benefit. This administration understands and is addressing the complexities of healthcare in our state.”

In the notice released today, the Department of Human Services invites the public, including all providers, to view documents and [make comments here](#).

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