



State of New Mexico  
Medical Assistance Program Manual  
**Supplement**



**DATE:** July 20, 2016

**NUMBER:** 16-07

**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 – EFFECTIVE AUGUST 1, 2016

The New Mexico Human Services Department, Medical Assistance Division (HSD/MAD) has issued two recent Provider Supplements (16-01 and 16-03, issued on April 29 and June 29, 2016, respectively) outlining proposed and final payment reductions to Medicaid providers. As stated in both Supplements, HSD/MAD is reducing Medicaid provider payment rates due to a serious shortfall in state revenue and a directive contained in the 2016 General Appropriations Act. The methodology for these reductions is based on recommendations of the Medicaid Provider Payments Cost-Containment Subcommittee of the Medicaid Advisory Committee (MAC). These reductions will result in targeted savings, while still ensuring that Medicaid provider reimbursement is reasonable.

Provider Supplement 16-01 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, the 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.

Provider Supplement 16-03 notified Medicaid providers of the final rate reductions that went into effect on July 1, 2016. As noted in Supplement 16-03, HSD/MAD delayed implementation of certain fee schedule reductions until August 1, 2016, based on the public and tribal comments that were received and resulting additional analysis. **This Provider Supplement explains the final fee schedule reductions that will go into effect on August 1, 2016.**

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) Well-Child screens by 5%. In Supplement 16-03, HSD announced a delay in these changes to the fee schedule for affected providers and services until August 1, 2016. These reductions were delayed so that HSD/MAD could conduct additional analysis of the Medicaid fee schedule to ensure greater parity and proportionality in the methodology used for the final rate reductions.

In reviewing and discussing the proposed fee schedule reductions, HSD/MAD identified significant gaps between the New Mexico Medicaid fee schedule and the fee schedule that is used for the Medicare program. Because the Medicare fee schedule is considered the general standard for fee-for-service payment methodology in America at this time, HSD/MAD intends to move its reimbursement policy for the Medicaid program toward greater alignment with a percentage of Medicare rates. Providers should note that New Mexico's Medicaid rates were 7<sup>th</sup> highest in the nation in 2014, at an average of 91% of Medicare and 25% above the national average for state Medicaid programs.<sup>1</sup>

During the public comment period related to the Department's original proposed fee schedule reductions, as outlined in Supplement 16-01, several concerns were raised by provider groups that believed the reductions as proposed would have a disproportionately large impact on their sectors and/or practices, which might include disruptions to their practices that could not be sustained without a more phased approach to the reduction. The New Mexico Medical Society assisted HSD/MAD in obtaining this feedback, and in helping the Department study and analyze these concerns more fully. After extensive deliberation, HSD/MAD revised its approach for the reductions, and will implement the practitioner rate reductions in two phases. The first phase of reductions will be effective on August 1, 2016, and the second phase of reductions will be effective on January 1, 2017.

Effective August 1, 2016, HSD will implement these changes to the Medicaid practitioner fee schedule:

---

<sup>1</sup> Medicaid-to-Medicare Fee Index, 2014. The Henry J. Kaiser Family Foundation. <http://kff.org/medicaid/state-indicator/medicaid-to-medicare-fee-index/>.

- All services currently paid at a rate of 90-99% of the Medicare rate will be reduced by 4%. This includes all codes, except for maternity care/obstetric codes, family planning codes, and codes for EPSDT Well-Child screens.
- All services currently paid at a rate equal to 100% of the Medicare rate will be reduced by 6%. This includes all codes, except for maternity care/obstetric codes, family planning codes, and codes for EPSDT Well-Child screens. The reduction applies to all codes for laboratory services that are currently paid at 100% of the Medicare Clinical Diagnostic Laboratory (CDL) rate.
- All **non-radiology** codes currently paid above the Medicare rate will be reduced to 110% of the Medicare rate. This includes all codes, except for maternity care/obstetric codes, family planning codes, and codes for EPSDT Well-Child screens. Non-radiology codes that are currently set between 101-110% of the Medicare rate will not be reduced on August 1; however, HSD/MAD intends to apply an additional reduction to these codes on January 1, 2017, which is explained in greater detail in Section B, below.
- All **radiology** codes (CPT 70000 series and a few others) currently paid above the Medicare rate will be reduced to 130% of the Medicare rate. Radiology codes that are currently set between 101-130% of the Medicare rate will not be reduced on August 1; however, HSD/MAD intends to apply an additional reduction to these codes on January 1, 2017, which is explained in greater detail in Section B, below.
- Reimbursement for preventive codes used to bill for EPSDT Well-Child screens will be increased by 5%.
- The Department no longer intends to reduce payment for codes paid below 90% of the Medicare rate by 2%, as originally proposed.

For any reimbursement rate that is based on the level of the provider type (such as a Certified Nurse Practitioner in private practice who is paid at a percentage of the physician rate, or various levels of behavioral health providers being paid in relation to a psychiatrist), the reductions were prorated according to the methodologies above.

As proposed in Supplement 16-01, effective August 1, 2016, Medicaid payments will align with Medicare policy for reimbursing “facility-based” services that are typically performed in a physician’s office setting, to also include the service settings of inpatient hospitals, emergency departments and nursing facilities, in addition to the outpatient hospital setting that is currently used. Accordingly, reimbursement for physician services furnished in these institutional settings that are also ordinarily furnished in a physician’s office is determined by using the Department’s fee schedule for each professional service and multiplying the allowed amount by .60. The Department follows the Medicare model in determining which codes are typically performed in a physician’s office setting.

## **B. Additional Fee Schedule Reductions for January 1, 2017**

Subsequent to the August 1 reduction, HSD intends to reduce the professional fee schedule codes (including both radiology and non-radiology) related to this Supplement that remain at or above 100% of the Medicare rate to 94% of the Medicare rate, effective January 1, 2017. HSD intends to apply the same exceptions as articulated above, exempting codes for maternity/obstetric care, family planning services and EPSDT Well-Child screens from the reduction. Additional

information about the methodology for the January 1, 2017, reduction will be forthcoming from the Department.

Providers should note that the reduction to 94% of the Medicare rate was originally proposed by HSD in Supplement 16-01; and that this proposed reduction was included in the public comment period that ended on June 1, 2016.

### **C. 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-schedules.aspx>. Scroll to the bottom of the page, click on "Agree"; then click on "Submit". Look under Proposed Fee Schedules or Rates for "Final Fee Schedule Changes Effective August 1, 2016" and "Final BH Fee Schedule Changes Effective August 1, 2016".

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