



HUMAN SERVICES
DEPARTMENT

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

July 5, 2019

RE: Tribal Notification to Request Advice and Comments Letter 19-12: Notice of Proposed Increases to Medicaid Hospital Payment Rates

Dear Tribal Leadership, Indian Health Service, Tribal Health Providers, and Other Interested Parties:

Seeking advice and comments from New Mexico's Indian Nations, Tribes, Pueblos and their health care providers is an important component of the government-to-government relationship with the State of New Mexico. In accordance with the New Mexico Human Services Department's (HSD's) Tribal Notification to Request Advice and Comments process, this letter is to inform you that HSD, through the Medical Assistance Division (MAD), is accepting written comments until **5:00 p.m. Mountain Time (MT) through August 9, 2019**, regarding new proposed increases to Medicaid hospital payment rates.

HSD has announced its intention to raise Medicaid hospital payment rates effective July 1, 2019, as part of Governor Lujan Grisham's focus on health care and as a critical step in fulfilling her promise to increase Medicaid reimbursement rates for providers at the center of New Mexico's health care safety net. This is the second notice outlining proposed changes to Medicaid provider payment rates effective July 1, 2019, and specifically details a proposal for increasing inpatient and outpatient hospital payments. Together, these increases 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.

In determining the scope and amounts of these proposed payment increases, HSD conducted extensive analysis to determine the best and fairest way to restore hospital rates that were reduced due to cost-containment in 2016, while also compensating hospitals for their legitimate business expenses and adjusting rates to account for upward cost inflation. In total, HSD proposes \$168.7 million in payment rate increases to New Mexico hospitals. The impact to the state general fund for these proposed changes is \$34 million.

Through this notice, HSD invites tribal leadership, providers, members, and other tribal stakeholders to comment on the proposed rate increases and revisions to the Medicaid program fee schedule, as described below. Additional detail may be found on the proposed fee schedules that are posted on the HSD website at www.hsd.state.nm.us/providers/fee-schedules.aspx. Some of the

proposed provider rate increases will require revisions to the New Mexico Medicaid State Plan that HSD must file with the federal Centers for Medicare and Medicaid Services (CMS).

1. Increase in Payment Rates for Inpatient Hospital Services

Effective July 1, 2019, HSD proposes 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 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 at 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 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.

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 October 1, 2019

HSD intends to make additional Medicaid reimbursement changes for hospitals on October 1, 2019, to address SNCP and 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.

Tribal Impact

Proposed changes to the Medicaid hospital fee schedule will not affect payment rates for services paid at encounter rates or OMB rates. This includes Indian Health Services (IHS) and tribal health facilities. HSD anticipates an overall positive change in access to inpatient and outpatient hospital care as a result of these proposed changes, including to tribal members who are enrolled in the Medicaid program.

Please note that all changes that are proposed and outlined in this letter will be implemented with a retroactive effective date of July 1, 2019.

Tribal Advice and Comments

Tribes and tribal health care providers may view the proposed fee schedules on the HSD website at <https://www.hsd.state.nm.us/providers/fee-schedules.aspx> or <http://www.hsd.state.nm.us/providers/written-tribal-consultations.aspx>.

Important Dates

- **Written comments must be submitted by 5:00 p.m. Mountain Time (MT) on August 9, 2019.** Please send your comments to the MAD Native American Liaison, Theresa Belanger, at (505) 827-3122 or by email to Theresa.Belanger@state.nm.us.
- Comments and responses will be compiled and made available upon request.

Sincerely,

A handwritten signature in blue ink, appearing to read "Nicole Comeaux".

Nicole Comeaux, J.D., M.P.H.
State Medicaid Director