



State of New Mexico
Medical Assistance Program Manual
Supplement



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TO: ALL HOSPITAL PROVIDERS PARTICIPATING IN THE NEW MEXICO
MEDICAID PROGRAM AND MEDICAID MANAGED CARE ORGANIZATIONS

FROM: CAROLYN INGRAM, DIRECTOR, MEDICAL ASSISTANCE DIVISION

**SUBJECT: REDUCTION IN MEDICAID PAYMENTS FOR HOSPITAL SERVICES
EFFECTIVE DECEMBER 1, 2009.**

Effective with dates of service December 1, 2009, there will be reductions in some hospital payment rates.

For state fiscal years 2007 and 2008, the Medicaid program was pleased to significantly increase most provider rates. Hospital DRG payments were increased by 1.5% the first of those years with another increase of 3.8% the following year.

However, due to a serious shortfall in state revenues largely related to gas and oil taxes, many state program budgets are either being reduced or not sufficiently increased to cover current program costs. The New Mexico Medicaid program budget is no exception. Program costs are outpacing available revenues. Therefore, the Medicaid program is reducing provider rates by amounts that still assure provider reimbursement is reasonable. We trust that providers will understand the reduction is small in comparison to most increases that have been provided in recent years.

The Human Services Department submitted to the Medicaid Advisory Committee options available to New Mexico Medicaid. The input received from this group proved invaluable as Medicaid moved forward with the decision-making process.

A great deal of analysis went into various options and input from numerous stakeholders was given serious consideration. Throughout the process, Medicaid adhered to the goals of better controlling the growth in costs while: 1) protecting children as much as possible; 2) limiting benefits before reducing eligibility; and, 3) utilizing revenue enhancements that federal contributions help fund.

Even with the implementation or planned implementation of many of the other studied options, it is still necessary to implement a reduction in reimbursement to providers as part of the solution to address the serious budget situation.

Also, emergency rules were issued in December 2008 for January 1, 2009, allowing other changes in hospital reimbursement. The changes indicated in that rule related to hospital reimbursement for outpatient radiology services and the interim outpatient payment rate. The Department received comments on those rules and is implementing those provisions. That final rule may be found on the HSD/MAD website at:

http://www.hsd.state.nm.us/mad/pdf_files/Registers/Registers08/HospitalServices.pdf

Provider payments will be affected as described below. Managed Care Organizations contracted for the SALUD!, BH SE, CoLTS, and SCI programs will be required to likewise reduce reimbursement levels as applicable consistent with the effective date published in this notice.

A. OUTPATIENT HOSPITAL RADIOLOGY PAYMENTS

Effective with dates of services beginning December 1, 2009, instead of being paid at an interim outpatient hospital reimbursement rate, hospital facility radiology services will be reimbursed at a fee schedule rate with no cost settlement. The fee schedule rate will be the same rate as is paid to non-hospital radiology facilities.

Reductions in radiology payments are estimated to be \$2.5 million annually for the Medicaid fee for service program.

B. INPATIENT HOSPITAL DRG RATES

Effective with dates of inpatient discharges beginning December 1, 2009, inpatient DRG rates will be reduced by three percent (3%).

Total reductions in DRG payments are estimated to be \$6.75 million annually for the Medicaid fee for service program and Medicaid managed care organizations together.

C. OUTPATIENT HOSPITAL INTERIM PAYMENT RATES

Effective with dates of services beginning December 1, 2009, the hospital outpatient interim reimbursement rate will be changed from 77% to the final outpatient cost to charge ratio established during the most recent cost settlement. If the most recent cost settlement year is more than 2 fiscal years prior to the facility's current fiscal year or if the provider is out of state and there is no cost settlement, the interim outpatient reimbursement rate will be fifty percent (50%).

As this is an adjustment to the interim rate prior to cost settlement, no reduction in final payment to providers in the Medicaid fee for service program is anticipated for providers in New Mexico. For out of state hospital facilities that are not cost settled the reductions in payment are estimated to be \$1 million annually for the Medicaid fee for service program.

Reductions from managed care organizations are dependent on the reimbursement levels and methodology used by a specific managed care organization in making payments to a provider.

D. BILLING FOR SERVICES

Provider billing procedures will not change as a result of implementing these changes. The reduction will be reflected in provider payments but does not require changes on the part of the provider.

E. COMMENTS

Providers may view the proposed rates or percent reductions 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>

Even though the effective date of the reduction is December 1, 2009, the Medical Assistance Division will receive comments on this reduction through February 5, 2010, to allow sufficient time for interested parties to submit comments. The Medical Assistance Division will review all comments and shall notify providers of any changes that are made due to the comments as well as make any retroactive adjustments to claims that may be necessary.

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 the Medical Assistance Division as indicated below.

F. CONTACTING MEDICAL ASSISTANCE DIVISION (MAD) PROGRAM STAFF

Written or e-mailed comments are preferred because they become part of the record associated with this change.

Written comments may be sent to:
Benefit Services Bureau
HSD/Medical Assistance Division
P0 Box 2348
Santa Fe, NM 87504-2348

E-mail comments may be sent to:
Tabitha.Mondragon@state.nm.us

However, 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 and look forward to a time of improved economic conditions within the state.