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State/Territory Name: New Mexico

State Plan Amendment (SPA) #: 16-0005

This file contains the following documents in the order listed:

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Dallas Regional Office
1301 Young Street, Suite 833
Dallas, Texas 75202

CENTERS FOR MEDICARE & MEDICAID SERVICES
CONSORTIUM FOR MEDICAID & CHILDREN'S HEALTH OPERATIONS

DIVISION OF MEDICAID & CHILDREN'S HEALTH - REGION VI

February 14, 2017

Our Reference: SPA NM 16-0005

Ms. Nancy Smith-Leslie, Director
Medical Assistance Division
New Mexico Department of Human Services
P.O. Box 2348
Santa Fe, New Mexico 87504

Dear Ms. Smith-Leslie,

Enclosed is a copy of approved New Mexico State Plan Amendment (SPA) No. 16-0005, with an effective date of July 1, 2016. This amendment was submitted to implement a three percent rate reduction for outpatient hospital services.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a) and 1923 of the Social Security Act (the Act) and the implementing Federal regulations at 42 CFR 447 Subpart C.

Because the proposed SPA would reduce or restructure provider payment rates, New Mexico is required to provide documentation in support of its determination that the payments are consistent with efficiency, economy and quality of care and sufficient to enlist enough providers so that services under the plan are available to beneficiaries at least to the extent that these services are available to the general population, as established in Section 1902(a)(30)(A) of the Act and codified in 42 CFR 447.203(b)(6) and 42 CFR 447.204. To demonstrate compliance with these requirements, the state submitted the following to the Centers for Medicare & Medicaid Services (CMS) with the proposed SPA:

1. With respect to the public process requirements at 42 CFR 447.204(a)(2), New Mexico provided documentation to show that the state considered input from beneficiaries, providers and other affected stakeholders on beneficiary access to the affected services, and the impact of the proposed rate change. The notice of rate reductions and request for public comment was published in both the Albuquerque Journal and the Las Cruces Sun News on April 30, 2016. The state notified Medicaid providers of the proposed payment reductions and requested public comment in a Medical Assistance Program Manual Supplement sent on April 29, 2016. The state created a dedicated website and email address for accepting comment on the proposed rate reductions. The state mailed a letter on April 28, 2016, to

tribal leadership, Indian Health service (IHS), and tribal health providers notifying them about the proposed reductions and requesting their comments. Additionally, the New Mexico Human Services Department (HSD) held an open forum and comment period concerning the proposed reductions during the May 9, 2016, Medical Advisory Committee (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. All comments were given consideration and HSD made revisions to the originally proposed reductions in response to concerns that were expressed during the comment period.

2. With respect to requirements at 42 CFR 447.204(b), New Mexico submitted an analysis of the effect of the change in payment rates on access, and an analysis of the information and concerns expressed through stakeholder input. The state concluded that the rate changes under the state plan would not negatively impact provider participation and access to care based on its analysis that (1) extensive work was done by HSD to engage providers through the MAC subcommittee and the hospital representatives on the subcommittee supported the payment reductions; (2) in accordance with their Medicaid provider participation agreements, hospitals must provide notice if they intend to terminate their participation in the Medicaid program. No notices of this kind have ever been received, except to account for hospital initiated reorganizations or changes of ownership; and (3) the number of general acute care hospitals participating in the New Mexico program is the same as those participating in the Medicare program which indicates a level of provider availability for Medicaid recipients that is comparable to that of the general population.

3. The state established procedures to monitor continued access to care after implementation of these rate reductions, consistent with 42 CFR 447.203(b)(6). The state established baseline data and thresholds against which analyses can be performed to monitor FFS recipient access. Additionally, HSD is including access as a standing agenda topic in its bi-weekly discussions with Indian Health Service (IHS) and tribal health care facilities. Access is also a regular agenda item for the state's Native American Technical Advisory Committee.

   The impact of this reimbursement change applies only to Medicaid FFS payments. In New Mexico, most Medicaid recipients (approximately 90 percent) are enrolled in the Centennial Care managed care program and 99 percent of FFS recipients in New Mexico are Native American. Rates paid to IHS and tribal facilities are not being reduced; therefore, the impact on beneficiary utilization is projected to be minimal.

4. The state also demonstrated that it has ongoing mechanisms for beneficiary and provider input on access to care. The HSD maintains a Medicaid call center and website that recipients and providers can use to express concerns about access, and a complaint and grievance tracking system is maintained to insure that concerns are addressed. Such concerns can also be raised by IHS or tribal facilities during regularly scheduled bi-weekly calls with HSD.

CMS is approving this SPA as the state has reasonably substantiated its conclusion that access for these services is sufficient through a process consistent with the requirements of 42 CFR 447.203 and conducted the public process and notice described in 42 CFR 447.204 and 42 CFR 447.205. Consistent with the aforementioned regulations, the state has committed to monitoring

access and CMS will be periodically contacting the state to understand how the state's monitoring activities are progressing. If access deficiencies are identified, the state will submit a corrective action plan within 90 days of identification.

This letter affirms that the New Mexico Medicaid state plan amendment 16-005 is approved effective July 1, 2016 as requested by the state.

We are enclosing the HCFA-179 and the following amended plan page.

- Attachment 4.19-B, Page 6

If you have any questions please contact Ford Blunt of my staff. Mr. Blunt may be reached at (214) 767-6381 or by e-mail at Ford.Blunt@cms.hhs.gov.

Sincerely,

[redacted]

Bill Brooks
Associate Regional Administrator

cc: Jennifer Mondragon

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL **FOR: HEALTH CARE FINANCING ADMINISTRATION**	16-005	2. STATE New Mexico
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE July 1, 2016	

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN X AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR 447 Subpart F	7. FEDERAL BUDGET IMPACT: for FFY 2016: (-$167,700) - a reduction for FFY 2017: (-$670,800) – a reduction
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19B page 6	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*: Attachment 4.19B page 6

10. SUBJECT OF AMENDMENT:
Outpatient Hospital Reimbursement, revising the date that payment rates became effective to incorporate a 3% reduction in payment rates using the Outpatient Prospective Payment System as described in the public notice included in the SPA packet

11. GOVERNOR'S REVIEW *(Check One)*:
☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
X OTHER, AS SPECIFIED: Authority Delegated to the Medicaid Director.

12. SIGNATURE OF STATE AGENCY OFFICIAL: [redacted]	16. RETURN TO: Nancy Smith-Leslie, Director Medical Assistance Division P.O. Box 2348 Santa Fe, NM 87504 – 2348
13. TYPED NAME: Nancy Smith-Leslie	
14. TITLE: Director, Medical Assistance Division	
15. DATE SUBMITTED: June 30, 2016 rev 11/17/2016	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: June 30, 2016	18. DATE APPROVED: February 14, 2017

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: July 1, 2016	20. SIGNATU[redacted]AL:
21. TYPED NAME: Bill Brooks	22. TITLE: Associate Regional Administrator Division of Medicaid and Children's Health

23. REMARKS:

FORM HCFA-179 (07-92)

Outpatient Hospital Services

III. For outpatient hospital services provided by approved Title XIX hospitals for reimbursement purposes, effective for all accounting periods which begin on or after October 1, 1983, the amount payable by the Medicaid program through its fiscal agent for services provided to Title XIX recipients and covered under the Medicaid program, the manner of payment and the manner of settlement of overpayments and underpayments shall be determined under the methods and procedures provided for determining allowable payment for outpatient hospital services under Title XVIII of the Social Security Act.

Effective April 1, 1992, for those services reimbursed under Title XVIII allowable cost methodology, the Medicaid program reduces the Title XVIII allowable costs by 3 percent. The interim rate of payment shall be applicable to all hospitals approved for participation as Title XIX hospitals in the Medical Assistance Program.

Effective for dates of service on or after November 1, 2010, outpatient hospital services, which are not designated as Critical Access Hospitals, are reimbursed at an outpatient prospective payment system (OPPS) rate using Medicare Ambulatory Payment Classification (APC) groups and reimbursement principles. Effective for dates of service beginning July 1, 2016, the OPPS rates for are reduced by 3%. Except as otherwise noted in the plan, state developed fee schedule rates are the same for both governmental and private providers. Notice of changes to rates will be made as required by 42 CFR 447.205. All rates are published on the Department's website at: http://www.hsd.state.nm.us/mad/PFeeSchedules.html

A Critical Access Hospital, a designation made by Medicare following the Medicare Rural Hospital Flexibility Program created by the federal government in the Balanced Budget Act of 1997, will be paid at a percentage of the state developed fee schedule rates that equals the cost to charge ratio reported by the hospital to the Medicare program prior to February 1, for 2012, and reduced by 3% effective July 1, 2016.

In no case can the reimbursement for outpatient hospital services exceed reasonable cost as defined under Medicare Title XVIII.

a. Reimbursement for clinical diagnostic laboratory services are subject to the upper payment limits described in 1903(i)(7) of the Social Security Act. Except as otherwise noted in the plan, state developed fee schedule rates are set at 94% of the Medicare rate and are the same for both governmental and private providers. All rates are published on the Department's website at: http://www.hsd.state.nm.us/mad/PFeeSchedules.html

b. Effective for dates of service on or after December 1, 2009 through October 31, 2010, outpatient hospital radiology technical component services are reimbursed at a fee schedule rate equivalent to the fee schedule rate for non-hospital based radiology facilities. Except as otherwise noted in the plan, state developed fee schedule rates are the same for both governmental and private providers.

The rates were developed by (1) multiplying the cost to charge ratio for each hospital by the billed charges for radiology technical component services to arrive at the approximate cost settled amount paid for each radiology technical

State: New Mexico
Date Received: 06-30-2016
Date Approved: 02-14-17
Date Effective 07-01-2016
Transmittal Number: NM 16-0005