Table of Contents

State/Territory Name: New Mexico

State Plan Amendment (SPA) #: 16-0008

This file contains the following documents in the order listed:

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S3-14-28
Baltimore, Maryland 21244-1850

CENTERS FOR MEDICARE & MEDICAID SERVICES

Financial Management Group

DEC 14 2016

Ms. Nancy Smith-Leslie
Director
Medical Assistance Division
New Mexico Human Services Department
2025 South Pacheco Drive
P.O. Box 2348
Santa Fe, New Mexico 87504-2348

RE: TN 16-008

Dear Ms. Smith-Leslie:

We have reviewed the proposed State plan amendment (SPA) to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 16-008. The purpose of this amendment is to update the language regarding the payment methodology for Indirect Medical Education (IME) and Graduate Medical Education (GME).

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 and the implementing Federal regulations at 42 CFR 447 Subpart C.

Based upon the information provided by the State, Medicaid State plan amendment 16-008 is approved effective May 1, 2016. We are enclosing the CMS-179 and the new plan pages.

If you have any questions, please call Tamara Sampson at (214) 767-6431.

Sincerely

[redacted]

Kristin Fan
Director

Enclosures

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	16-008	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 May 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: $17,378,223 an increase for FFY 2017: $42,061,616 an increase
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19A Page 21, 21a, 21b, 21c, and 21d	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*: Attachment 4.19A Page 21, 21a, 21b, 21c, and 21d

10. SUBJECT OF AMENDMENT:
Establishing new limits and amounts (an overall increase) for GME and IME payments to hospitals and deleting the outdated sole community hospital payment section.

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/ revised December 8, 2016	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: June 30, 2016	18. DATE APPROVED: DEC 14 2016
PLAN APPROVED – ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: May 1, 2016	20. SIGNATURE OF REGIONAL OFFICIAL: [redacted]
21. TYPED NAME: Kristin Fan	22. TITLE: Director, FNCo

23. REMARKS:

8. **Indirect medical education (IME) Adjustment:**

Effective August 1, 1992, each acute care hospital that qualifies as a teaching hospital will receive an indirect medical education (IME) payment adjustment which covers the increase operating or patient care costs that are associated with approved intern and resident programs. .

a. In order to qualify as a teaching hospital and be deemed eligible for an IME adjustment, the hospital must:

1) Be licensed by the State of New Mexico; and

2) Be reimbursed on a DRG basis under the plan; and

3) Have 125 or more full time equivalent (FTE) residents enrolled in approved teaching programs.

b. Determination of a hospital's eligibility for an IME adjustment will be done annually by the state, as of the first day of the provider's fiscal year. If a hospital meets the qualification for an IME adjustment after the start of its fiscal year, it will be deemed eligible for the IME adjustment beginning on the first day of the quarter after the date the qualifications were met.

c. The IME payment amount is determined by multiplying DRG operating payments, which are DRG payments and outlier payments, by the IME adjustment factor computed by the following formula:

$$1.89*((1+R)^{.405}-1)$$

Where R equals the number of approved full-time equivalent (FTE) residents divided by the number of available beds (excluding nursery and neonatal bassinets). FTE residents are counted in accordance with 42 CFR 412.105(f) except that the limits on the total number of FTE residents in 412.105(f)(1)(iv) shall not apply and at no time shall exceed 450 residents. For purposes of this paragraph, DRG operating payments include the estimated average per discharge amount that would otherwise have been paid for Medicaid managed care enrollees if those persons had not been enrolled in managed care.

State: New Mexico
Date Received: 30 June, 2016
Date Approved: DEC 14 2016
Date Effective: 1 May, 2016
Transmittal Number: 16-008

d. Quarterly IME payments will be made to qualifying hospitals at the end of each quarter. Prior to the end of each quarter, the provider will submit to the Department's audit agent the information necessary to make the calculation, i.e. number of beds, number of estimated residents for the quarter, and the Medicaid DRG amount. After review and adjustment, if necessary, the audit agent will notify the Department of the amount due to/from the provider for the applicable quarter. Final settlement of the IME adjustment amount will be made through the cost report; that is, the number of beds, residents, and DRG amounts used in the quarterly calculation will be adjusted to the actual numbers shown on the provider's cost report for those quarters.

9. Payment for Direct Graduate Medical Education (GME)

. Payments will be made quarterly to qualifying hospitals, at a rate determined by the number of resident full-time-equivalents (FTEs) in the various categories defined below, who worked at the hospital during the preceding year, and subject to an upper limit on total payments.

a. To be counted for Medicaid reimbursement, a resident must be participating in an approved medical residency program, as defined by Medicare in 42 CFR 413.75(b). With regard to categorizing residents, as described in paragraph b of this section, the manner of counting and weighting resident FTEs will be the same as is used by Medicare in 42 CFR 413.79 except that the number of FTE residents shall not be subject to the FTE resident cap described in 413.79(b)(2).

Resident FTEs whose costs will be reimbursed by the Department as a medical expense to a Federally Qualified Health Center are not eligible for reimbursement under this section.

To qualify for Medicaid GME payments, a hospital must be licensed by the state of New Mexico, be currently enrolled as a

State: New Mexico
Date Received: 30 June, 2016
Date Approved: DEC 14 2016
Date Effective: 1 May, 2016
Transmittal Number: 16-008

Medicaid provider, and must have achieved a Medicaid inpatient utilization rate of 5 percent or greater during its most recently concluded hospital fiscal year. For the purposes of this section, the Medicaid inpatient utilization rate will be calculated as the ratio of New Mexico Medicaid eligible days, including inpatient days paid under Medicaid managed care arrangements, to total inpatient hospital days.

b. Approved resident FTEs are categorized as follows for MAD GME payment:

1) **Primary Care/Obstetrics resident.** Primary care is defined per 42 CFR 413.75(b).

2) **Rural Health Resident.** A resident is defined as participating in a designated rural health residency program. Residents enrolled in a designated rural health residency program will be counted as a rural health resident FTE for the entire duration of their residency, including those portions of their residency which may be served in a non-rural hospital or clinic. Should any resident meet the criteria for both rural health and primary care in this section, this resident will be counted as a rural health resident.

3) **Other approved resident.** Any resident not meeting the criteria in Items 1 or 2, above.

c. **MAD GME payment amount per resident FTE;**

1) The annual Medicaid payment amount per resident FTE with state f iscal year 2017 is as follows:

Primary Care/Obstetrics Resident:	$41,000
Rural Health Resident:	$52,000
Other Resident:	$50,000

2) The per resident amounts specified in paragraph 9.c.1 will be inflated for state fiscal years beginning on or after July 1, 2017 using the annual inflation update factor described in paragraph 9.d.

State: New Mexico
Date Received: 30 June, 2016
Date Approved DEC 14 2016
Date Effective: 1 May, 2016
Transmittal Number: 16-008

d. **Annual Inflation Update Factor:**

The Department will update the per resident GME amounts and the upper limit on GME for inflation using the global inflation factor located on Medicaid.gov

e. **Annual Upper Limits on GME payments:**

1) Total annual MAD GME payments will be limited to $18,500,000 for state fiscal year 2017. This amount will be updated for inflation, beginning with state fiscal year 2018, in accordance with paragraph 9.d.

2) Total annual GME payments for residents in Category B.3, "Other," will be limited to the following percentages of the $5,800,000 total annual limit (as updated for inflation in accordance with paragraph 9.d.)

State fiscal year 1999	58.3 percent
State fiscal year 2000	56.8 percent
State fiscal year 2001	53.3 percent
State fiscal year 2002	50.7 percent
State fiscal year 2003	48.0 percent
State fiscal year 2004	45.5 percent
State fiscal year 2005	43.0 percent
State fiscal year 2006	40.4 percent
State fiscal year 2017 and thereafter - No Limit	

State: New Mexico
Date Received: 30 June, 2016
Date Approved: DEC 14 2016
Date Effective: 1 May, 2016
Transmittal Number: 16-008

2) **Reporting and payment schedule:**

1) Hospitals will count the number of residents working according to the specification in this part during each fiscal year (July 1 through June 30) and will report this information to the Department by December 31. Counts will represent the weighted average number of residents who worked in the hospitals during the specified 12-month period. Hospitals may also add to this count any FTEs associated with newly approved residency programs that will be implemented on or before the start of the prospective GME payment year, to the extent that these FTEs are not already reflected in the weighted average counts of the preceding year. To illustrate, resident FTE amounts would be counted from 07/01/96 - 06/30/97 for the payment year 07/01/98 - 06/30/99.

   The Department may require hospitals to provide documentation necessary to support the summary counts provided.

2) The Department will establish the amount payable to each hospital for the prospective payment period that will begin each July 1. Should total payments as initially calculated exceed either of the limitations in paragraph d, the amount payable to each will be proportionately reduced.

3) The annual amount payable to each hospital is divided into four equal payments. These payments will be made by the Department on or about the start of each prospective payment quarter.

4) Should a facility not report timely with the accurate resident information as required in paragraph 1, above, it will still be entitled to receive payment for any quarter yet remaining in the prospective payment year, after acceptable information has been submitted. However, payments to untimely reporting facilities will be limited to the amount of funds that remains available under the upper limits described in paragraph e, after prospective payment amounts to timely filing facilities have been established.

State: New Mexico
Date Received: 30 June, 2016
Date Approved: DEC 14 2016
Date Effective: 1 May, 2016
Transmittal Number: 16-008