

Presentation to the Legislative Health and Human Services Committee

Reimbursement Rates and Survival of Rural Hospitals

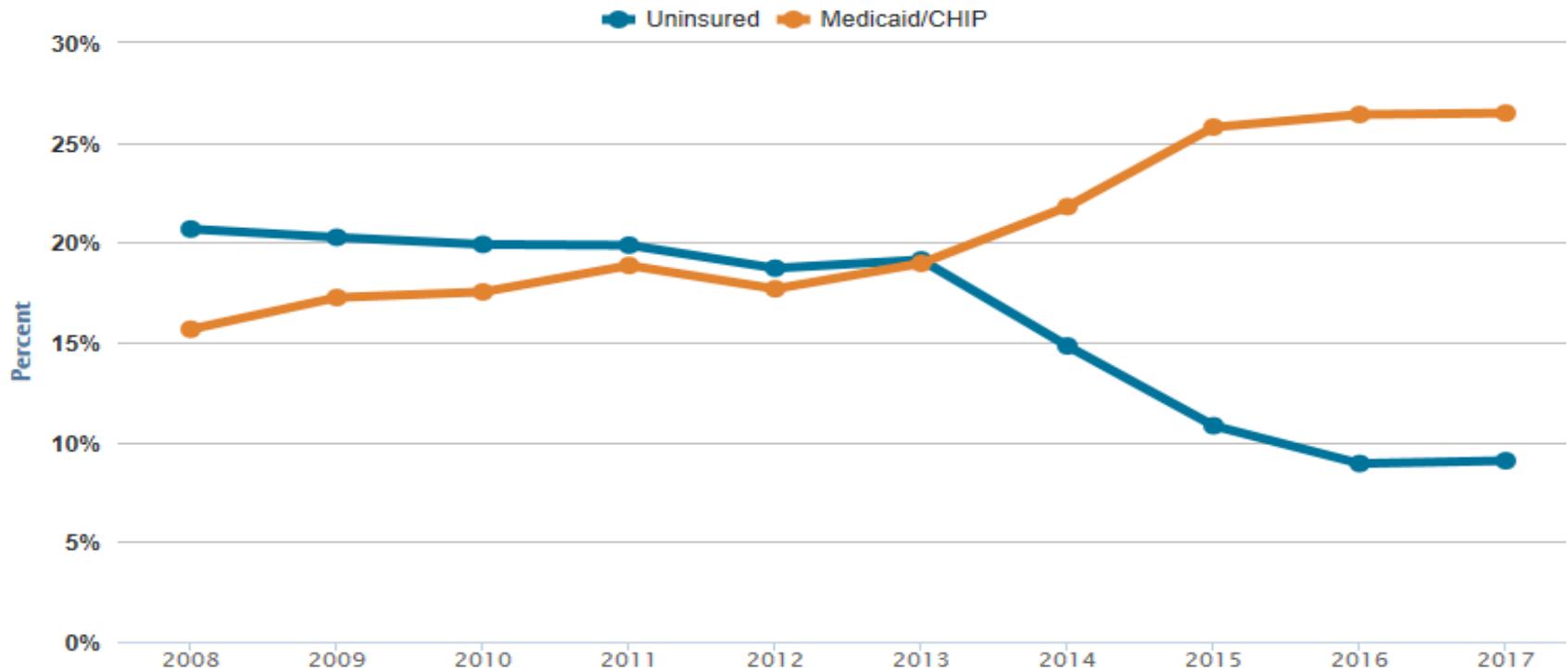
Russell Toal | Deputy Secretary
September 25, 2019

January 2019: A Fragile Situation

- For most providers, no reimbursement rate increases for years, inflationary or other
- The cuts in reimbursement that were made in 2016 had not been restored
- The behavioral health network had not recovered from the actions of 2013
- The department was not equipped for restoration of the network

One Major Positive

NEW MEXICO UNINSURED AND MEDICAID/CHIP INSURED: 2008-2017
(SOURCE: SHADAC, FROM AMERICAN COMMUNITY SURVEY (ACS, US CENSUS))



MEDICAID ENROLLMENT BY COUNTY – 8/31/19

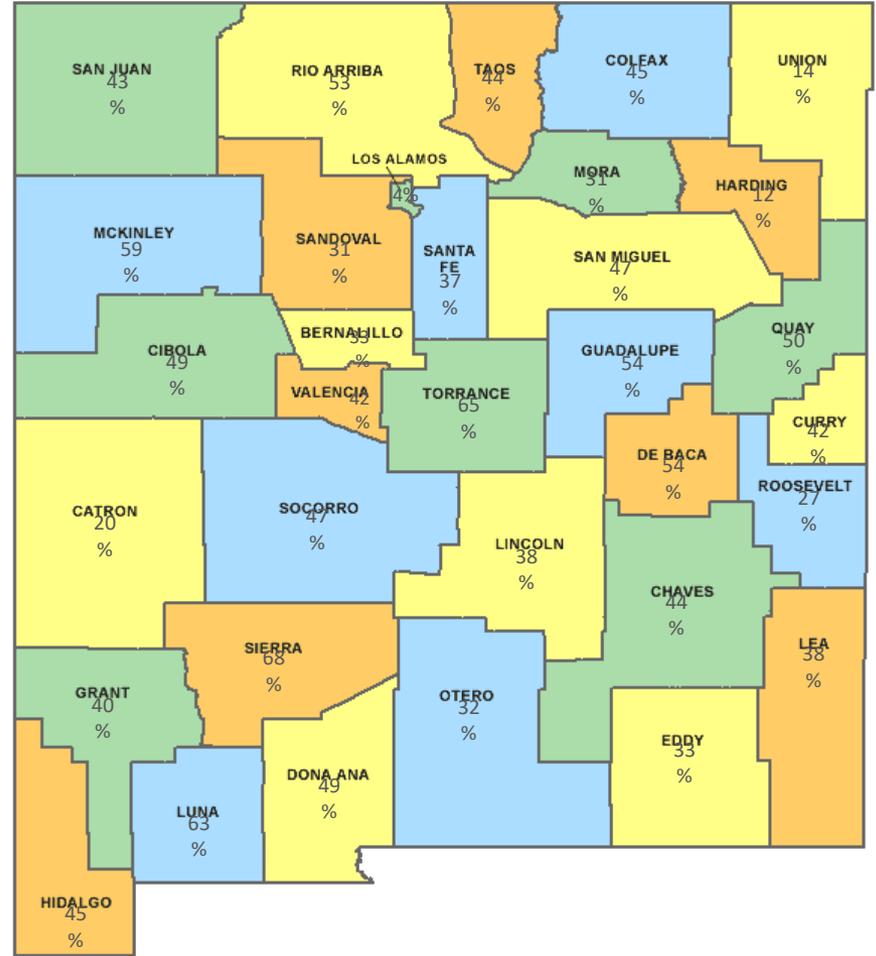
County Type	Subtotal	Percent
Metropolitan	387,819	46.99%
Rural	359,055	43.50%
Frontier	77,156	9.35%
Unknown	1,305	0.16%
Total	825,335	100.00%

County Type	Sector Population	Medicaid Enrollment	% Population Enrolled
Metropolitan	1,064,239	387,819	36.44%
Rural	874,869	359,055	41.04%
Frontier	162,619	77,156	47.45%
Total	2,101,727	824,030	

MEDICAID PERCENT ENROLLMENT BY COUNTY OF RESIDENCE AS OF 8/31/2019

Sierra	Frontier	68.1%
Torrance	Frontier	65.3%
Luna	Rural	62.5%
McKinley	Rural	59.2%
Guadalupe	Frontier	54.1%
De Baca	Frontier	53.6%
Rio Arriba	Rural	52.6%
Quay	Frontier	49.8%
Cibola	Frontier	48.7%
Dona Ana	Metro	48.5%
Socorro	Frontier	47.1%
San Miguel	Frontier	46.5%
Hidalgo	Frontier	44.6%
Colfax	Frontier	44.5%
Chaves	Rural	44.2%
Taos	Rural	43.7%
San Juan	Rural	43.2%

Curry	Rural	42.4%
Valencia	Rural	42.1%
Grant	Rural	40.1%
Lea	Rural	38.1%
Lincoln	Frontier	37.6%
Santa Fe	Metro	36.8%
Bernalillo	Metro	33.4%
Eddy	Rural	33.3%
Otero	Rural	32.1%
Sandoval	Rural	31.1%
Mora	Frontier	31.1%
Roosevelt	Rural	26.7%
Catron	Frontier	20.4%
Union	Frontier	14.2%
Harding	Frontier	11.5%
Los Alamos	Metro	4.2%



Program	New Mexicans Served as of June 2019	FY20 Budget General Fund (GF, 000)	% of GF Budget	FY20 Budget GF + Fed (000)	% of Total Budget
Medicaid (managed + FFS)	824,888	985,537.4	88.70%	5,949,158.8	83.27%
SNAP	446,216	0.0	0.00%	660,000.0	9.24%
TANF	28,037	87.0	0.01%	140,049.9	1.96%
CSED	214,603	7,927.1	0.71%	31,871.1	0.45%
Other Programs	212,230	117,523.2	10.58%	363,576.3	5.09%
TOTAL	*948,479	1,111,074.7	100.00%	7,144,656.1	100.00%

*Total Unduplicated Recipients

A HIGH RATIO OF PUBLIC TO PRIVATE INSURANCE PUTS PRESSURE ON THE NM PROVIDER NETWORK

	State	Public	Commercial	Ratio of P:C
1	New Mexico	50%	41%	1.22
2	West Virginia	47%	47%	1.00
3	Arkansas	45%	48%	0.94
4	Vermont	45%	51%	0.88
5	Louisiana	43%	50%	0.86
46	South Dakota	30%	61%	0.49
47	Wyoming	29%	59%	0.49
48	Nebraska	28%	64%	0.44
49	North Dakota	26%	67%	0.39
50	Utah	22%	69%	0.32

Adapted from *Henry J Kaiser Family Foundation*. Health Insurance Coverage of the Total Population. 31 January 2019 <<https://kff.org>>

MEDICAID PROVIDER NETWORK ENHANCEMENT STRATEGIES

- **Execute strategic provider rate increases and new payment methodologies**
- **Expand primary care and psychiatry training slots in NM**
- Expand and invest in telehealth models (Project ECHO, UNM Access, other ACCESS programs)
- Develop and implement alternate payment methodologies to support workforce development
- Loan forgiveness expansion
- Expand value based purchasing to improve outcomes
- **Create a Medicaid provider network analysis for the State of NM using existing DOH, UNM, and other data**
 - Identify and prioritize gaps in network
 - Make selective and strategic investment to broaden access
 - Behavioral Health
 - Primary Care
 - Rural healthcare (30% of Medicaid)
 - Others as identified by network analysis
- Convene a Provider Advisory Group to develop priorities and strategies for network expansion

MEDICAID FEE SCHEDULE THREE YEAR PLAN

- Fee Schedule that is:
 - Fair
 - Benchmarked to regional/national rates
 - Adjustable based on state revenue
 - Aligned with Medicaid strategic plan
 - Incentivizes network development
 - Affordable



The First Rate Increases

On May 15, 2019, the Human Services Department (HSD) announced its intention to raise certain Medicaid provider payment rates effective July 1, 2019. The proposed rate increases were supported, endorsed and funded by the New Mexico Legislature during the 2019 regular session.

HSD believes these rate adjustments will help build and protect the New Mexico health care delivery network.

July 1 Rate Increases

- Payment Rates for Evaluation and Management codes
- Payment Rates for Dental Codes
- Coverage of Preventative Topical Fluoride Varnish Benefits for Children
- Dispensing Fees Paid to Community-Based Pharmacies
- Long-Term Services & Supports Providers
- New Transitional Care and Chronic Care Management Services
- Supportive Housing Services and Rates
- Payment Rates for Inpatient Hospital Services
- Payment Rates for Hospital Outpatient Services

PROVIDER RATE INCREASES, PART 1A

7/1/2019: \$60 M

- \$37.4 M: E&M codes
- \$11.9 M: LTSS providers
- \$4.6 M: dental services
- \$2.1 M: community-based pharmacies
- \$2.0 M: topical fluoride varnish
- \$800,000: TCM and CCM codes
- \$650,000: PACE
- \$320,000: assisted living facilities.
- \$230,000: supportive housing services

Lujan Grisham: Medicaid reimbursements rates to rise

BY COLLEEN HEILD / JOURNAL INVESTIGATIVE REPORTER
Wednesday, May 15th, 2019 at 12:13pm

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Gov. Michelle Lujan Grisham this morning announced a \$60 million plan aimed at enhancing access to health care in New Mexico and halting rising commercial health insurance rates by increasing Medicaid reimbursements rates for medical and other health providers.



Gov. Michelle Lujan Grisham

Lujan Grisham's administration is proposing to leverage \$13 million in state general funds to combine with a near \$47 million federal match to increase rates for physicians and other health professionals who have sustained several years of decreases in reimbursements for care of the estimated 832,000 New Mexicans, or 40% of the state's population, enrolled in the state's Medicaid program. Under the plan, which goes into effect July 1, Medicaid rates for the most frequently billed services will increase from 70% to 90% of what Medicare pays for such services.

"Raising our Medicaid payments rate strengthens our partnership with key health care providers," Lujan Grisham said in a news release. "I want to thank

Increase in Payment Rates for Evaluation and Management (E&M) Codes

- HSD increased payment for Evaluation and Management (E&M) CPT codes to a minimum of 90 percent of the 2019 Medicare fee schedule, effective July 1, 2019. This increase was applied to both Fee-for Service (FFS) and each provider's contracted rates with each MCO.
- The increases applied to both the physical health and behavioral health fee schedules for Medicaid fee-for-service (FFS) program.
- The E&M fee schedule and associated codes can be found on HSD's website at www.hsd.state.nm.us/providers/fee-for-service.aspx

Dental Services

- The Centennial Care MCOs were directed to raise Medicaid rates paid to dental providers for dental service codes by two percent, effective July 1, 2019, to address the cost reduction dentists experienced previously. This increase applies to each provider's contracted rates with the MCOs.
- HSD added new coverage for administering preventive topical fluoride varnish treatments to children age six months through age 20, effective July 1, 2019. The new codes may be billed on a periodicity schedule of twice per year by either the child's dentist or a primary care provider (PCP).

Increase in Dispensing Fees Paid to Community-Based Pharmacies

- HSD increased the dispensing fees paid to community-based pharmacies for covered outpatient drugs by \$2 per script effective July 1, 2019. This increase applies to each affected pharmacy's contracted rates with each MCO.
- HSD directed the MCOs to:
 - Apply an increase of \$2/script. These instructions do not set the dispensing fee at a minimum rate of \$2. For example, if the MCO has been paying the pharmacy a dispensing fee of \$1.00, then the new dispensing fee would be established at a minimum of \$3.00 to reflect the \$2.00 increase.
 - Ensure that the \$2/script increase is passed to the community-based pharmacy. The MCO's pharmacy benefit manager (PBM) and/or the involved pharmacy services administrative organization (PSAO) **may not** receive any portion of the dispensing fee increase.

Increase in Rates Paid to Long-Term Services & Supports Providers

- Reimbursement rates for agency-based community benefit Personal Care Service (PCS) providers were increased by a minimum of 50 cents per hour, effective July 1, 2019. The increase applies to each provider or provider agency's contracted rates with each MCO.
- HSD directed the MCOs to also increase reimbursement rates paid to Assisted Living Facilities (ALFs) by five percent. This increase applies to each provider's contracted rates with each MCO.

Addition of New Transitional Care and Chronic Care Management Services

- HSD added new Transitional Care Management (TCM) and Chronic Care Management (CCM) services to the benefit package effective July 1, 2019, aimed at improving care management at the provider level for patients with multiple chronic conditions; and for patients who are transitioning to a community setting.
- The MCOs have been directed to negotiate sufficient rates for these codes with their contracted providers to ensure the availability and provision of covered services. The FFS rates for these new services have been set at 94 percent of the 2019 Medicare fee schedule; however, the MCOs have the flexibility to negotiate rates based on their discussions with providers and subsequent contracting.

Addition of Supportive Housing Services Rates

- HSD added a Centennial Care Supportive Housing benefit, effective July 1, 2019, to provide pre-tenancy and tenancy support services to members with Serious Mental Illness (SMI). The Supportive Housing benefit will aid these members in acquiring, retaining, and maintaining stable housing as a way of helping them to participate in ongoing treatment of their illness and to improve management of their physical and mental health conditions.
- The MCOs have been directed to work with the existing program infrastructure and network of provider agencies associated with the Linkages Supportive Housing Program to deliver supportive housing services.

Increased Payment Rates for Inpatient Hospital Services

- HSD increased Medicaid reimbursement rates for inpatient hospital services as follows:
 - 14 percent for Safety Net Care Pool (SNCP) hospitals;
 - 5 percent for UNM Hospital; and
 - 12 percent for all other in-state hospitals.
- HSD also changed the fee-for-service (FFS) reimbursement policy for hospital outlier claims effective July 1. Reimbursement for outlier claims was increased from 85 percent to 90 percent of the hospital's standardized cost.
- While MCOs may not pay hospitals for outlier claims in accordance with the FFS methodology, the MCOs have been directed to raise their reimbursement rates for outliers by five percent to correspond with the FFS increase.

Increased Payment Rates for Hospital Outpatient Services

- HSD increased Medicaid reimbursement rates for outpatient hospital services as follows:
 - 25 percent for SNCP hospitals;
 - 10 percent for UNM Hospital; and
 - 18 percent for all other in-state hospitals.
- HSD applied the increase by raising the percentage paid to each provider under the Outpatient Prospective Payment System (OPPS) by the appropriate amount based on the provider's category as set forth above.
- The MCOs have been directed to apply a corresponding increase to each facility, regardless of the MCO reimbursement formula used. HSD is requiring reporting to ensure that the increases are paid by the MCOs.

THE JULY HOSPITAL ADJUSTMENT

- The total anticipated payout to hospitals from the July 1 rate adjustment is \$168 million.
- This adjustment is intended to cover the cost of the cuts from previous years and inflation adjustments that have not been provided in recent years.
- The ability of a hospital to realize significant gain is tied to their Medicaid utilization.

What HSD is doing October 1, 2019

- Increasing Payment Rates to New Mexico Not-for-Profit Community Hospitals
- Increasing in the Base Rate for Federally Qualified Health Centers (FQHCs)
- Establishing New Rate for FQHC Dental Visits
- Increasing Payment Rates for Most Outpatient Behavioral Health Codes
- Providing New Reimbursement Mechanisms for Providers Presenting Cases through Project ECHO

The total annual impact of the October 2019 adjustments is an estimated \$78.5 M.

Increase in Rates to Not-for-Profit Community Hospitals

- HSD has proposed increased reimbursement for Not-for-Profit Hospitals in the Centennial Care Program
 - Effective with October 1 dates of service
 - The expected annual fiscal impact is estimated to be \$14.6 million
 - Intended to address unanticipated costs related to payment of GRT
 - Only for in-state hospitals

Increase in the Rates for Federally Qualified Health Centers (FQHCs)

- HSD has proposed new minimum encounter rates based on the National Medicare Prospective Payment System (PPS) Base Rate
 - Those FQHC sites with encounter rates less than \$169.77 will be raised to new minimum rate
 - All FQHCs will get a 2.4% inflation adjustment
 - Dental Services rates will be set at \$200, based on National Average
- Expected annual fiscal impact estimated \$4.4 million (State and Federal combined)

Increase Payment Rates for Most Outpatient Behavioral Health Codes

- HSD has proposed increased Medicaid payment rates for outpatient (OP) Behavioral Health visit codes
 - Effective with October 1 dates of service
 - Minimum of 90% of 2019 Medicare Fee Schedule
 - Many of OP Behavioral Health codes will be increased for the codes benchmarked to Medicare
 - Overall average percentage of Behavioral Health OP rate increase is approximately 30%
- Expected annual fiscal impact estimated \$58.6 million (State and Federal combined)

New Reimbursement Mechanisms for Providers Presenting Cases through Project ECHO

- HSD has proposed a new reimbursement mechanism for providers participating in Project ECHO of UNM
- Rates for the presenting providers will be set at 90% of the 2019 Medicare fee schedule
- Rates will be adjusted annually

Other Ways HSD Supports Hospitals

- Providing assistance with Medicaid enrollment for those seen in hospitals who may be eligible (presumptive eligibility)
- Effective November 1, real-time eligibility determinations available on the YesNM portal
- In 2020, continuous eligibility
- Two programs for direct support: DSH and the SNCP

Disproportionate Share Hospital (DSH)

- Payments to qualifying hospitals serving a disproportionate number of low-income patients with special needs.
- To qualify as a DSH Hospital the following federal criteria must be met:
 - Medicaid inpatient utilization rate greater than the mean Medicaid utilization rate for hospitals receiving Medicaid payments; or
 - Low-income utilization rate exceeding twenty-five percent;
 - At least two obstetricians with staff privileges at the hospital; and
 - Have a minimum Medicaid inpatient utilization rate of one percent

DSH, CONTINUED

- The number of hospitals benefiting from DSH varies each year, depending on the number which met the criteria
- The guidelines on DSH are set by CMS
- The federal allotments for DSH are decreasing; new proposed rules issued this week
- Payments to the DSH qualifying hospitals are not made through the MCOs. Payments are made directly to the hospitals by HSD on a quarterly basis
- For this year, 16 hospitals qualify for DSH payments; 9 are rural

Payments	2015	2016	2017	2018	2019
DSH	\$ 20,438,580	\$ 42,089,931	\$ 31,484,128	\$ 31,896,703	\$ 16,222,534

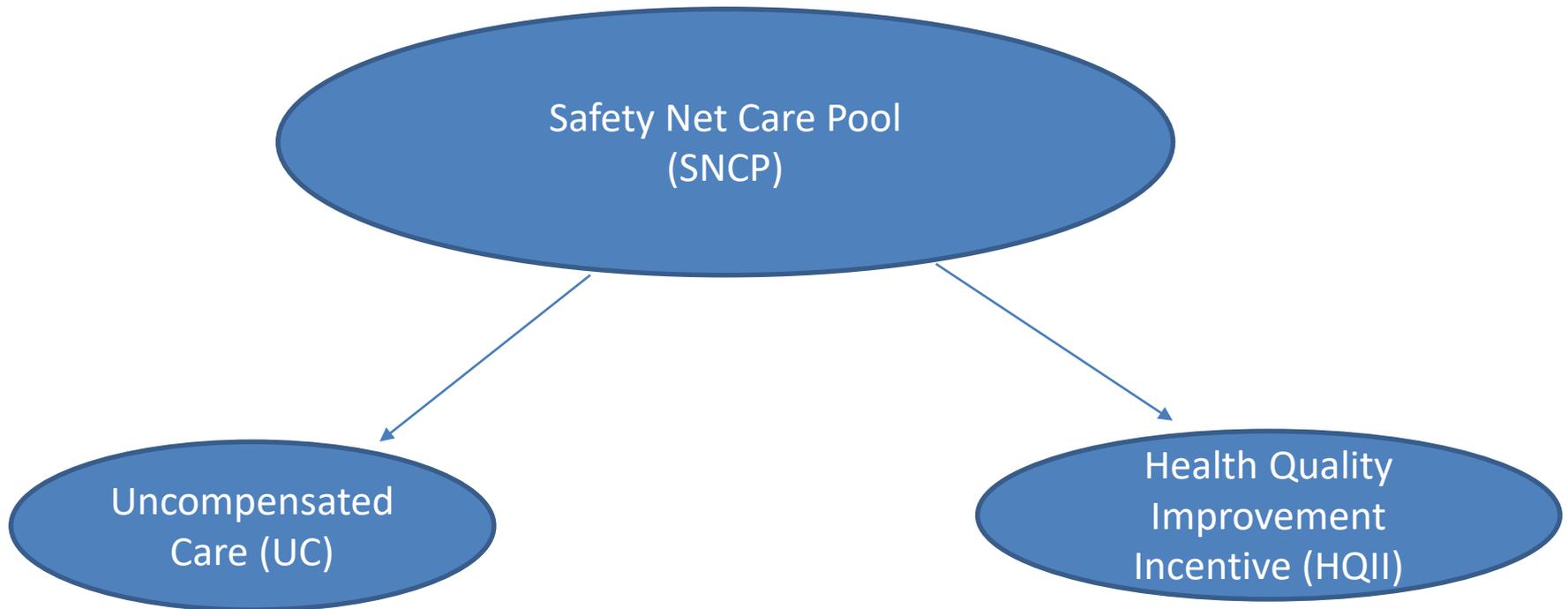
Hospitals DSH Payments

Provider	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	Total
Alta Vista Regional Hospital	204,870	225,372	326,715	320,406		1,077,363
Artesia General Hospital				17,253	37,617	54,870
Carlsbad Medical Center	87,746	875,792	390,246			1,353,784
Dan C. Trigg				3,697	14,613	18,310
Espanola Hospital				137,406	286,630	424,036
Gila Regional Medical Center	343,806	288,016	1,206,975	206,209		2,045,006
Holy Cross Hospital	257,318	653,736	574,038			1,485,092
Lea Regional Hospital	987,690	1,739,536	1,025,650			3,752,876
Lincoln County Medical Center		231,289	-	86,264	141,221	458,774
Lovelace Regional Hospital - Roswell	115,820	57,910	776,138	240,923	357,045	1,547,836
Lovelace Westside Hospital		509,658	1,672,075	870,484	337,058	3,389,275
Lovelace Women's Hospital	898,146	1,851,279		742,485	1,018,608	4,510,518
Memorial Medical Center				721,536	1,290,413	2,011,949
Mimbres Memorial Hospital	85,440	396,517	621,306	129,579		1,232,842
New Mexico Rehabilitation Center	482,534	354,057	118,012			954,603
Plains Regional Medical Center	65,070	51,104	436,051	268,650	566,553	1,387,428
Presbyterian Hospital	15,607,968	24,052,424	18,842,848	20,861,395	5,193,262	84,557,897
Rehoboth McKinley CHCS	144,786	542,535	474,642	210,114	405,409	1,777,486
San Juan Regional Medical Center				2,083,479	1,260,193	3,343,672
Socorro General Hospital	83,858	184,607	431,177	345,327	88,629	1,133,598
St. Vincent Hospital		3,063,993	3,501,575	2,195,679	1,000,558	9,761,805
University of New Mexico				1,599,579	3,998,848	5,598,427
UNM Sandoval Regional Medical Center	1,073,528	7,012,106	1,086,680	856,238	225,877	10,254,429
	20,438,580	42,089,931	31,484,128	31,896,703	16,222,534	142,131,876

Safety Net Care Pool

- Comprised of two programs:
 - Uncompensated Care (UC)
 - The UC pool provides funding to 29 eligible hospitals (formerly known as sole community provider program hospitals) for their uncompensated care.
 - The payments are structured to provide funding to the smallest hospitals first, and then to medium-sized and lastly to largest hospitals, based on funding.
 - Hospital Quality Incentive Initiative (HQII)
 - The HQII Program incentivizes participating hospitals to meaningfully improve the health and quality of care of the individuals they serve who are Medicaid eligible or are uninsured.

SNCP Support for Rural Hospitals



	DY 1 (CY 2014)	DY 2 (CY 2015)	DY 3 (CY 2016)	DY 4 (CY 2017)	DY 5 (CY 2018)	DY 6 (CY 2019)
UC POOL	\$ 69,889,323	\$ 69,889,323	\$ 69,889,323	\$ 69,889,323	\$ 69,889,323	\$ 69,889,323
HQII POOL	N/A	\$ 2,824,462	\$ 5,764,727	\$ 8,825,544	\$ 12,011,853	\$ 12,000,000

SNCP

- Comprised of UC and HQII
 - UC- \$68.9 million (Every Year)
 - Actual uncompensated costs of inpatient and outpatient hospital services provided to Medicaid eligible or uninsured individuals
 - 60% goes to the Smallest hospitals: 30 Beds or Fewer
 - 30% goes to Small hospitals: 31-100 Beds
 - 10% goes to Medium Hospitals: 101-200 Beds
 - As a result, a significant majority of the monies go to rural hospitals

Hospitals SNCP Payments 2019

Smallest Group 30 or less Beds

	Provider	CY UC
1	Guadalupe Country Hospital	1,356,109
2	Roosevelt General Hospital	1,854,774
3	Socorro General Hospital	2,757,422
4	Cibola General Hospital	4,855,353
5	Dan C Trigg Memorial Hospital	1,756,027
6	Lincoln County MC	1,422,558
7	Mimbres Memorial Hospital	4,257,304
8	Miners' Colfax MC	2,790,648
9	Nor-Lea General Hospital	3,855,338
10	Sierra Vista Hospital	2,398,490
11	Union County General Hospital	1,108,606
12	Lovelace Regional Hospital - Roswell	6,465,733
13	Holy Cross Hospital	6,455,231
		41,333,594

Medium Group 101-200 Beds

	Provider	CY UC
1	Eastern NM MC	673,488
2	Mountain View Regional MC	619,452
3	San Juan Regional MC	2,056,419
4	St. Vincent Regional MC	1,934,355
5	Memorial MC	1,605,219
		6,888,932

These are urban hospitals

Small Group 31-100 Beds

	Provider	CY UC
1	Los Alamos Medical Center	1,348,554
2	Artesia General Hospital	844,153
3	Alta Vista Regional Hospital	1,113,965
4	Rehoboth McKinley Christian HC	2,663,716
5	Gila Regional Medical Center	3,621,252
6	PHS Espanola Hospital	1,271,367
7	Plains Regional MC	1,352,682
8	Carlsbad MC	1,565,830
9	Lea Regional Hospital	2,130,806
10	Gerald Champion Regional MC	4,754,472
		20,666,797

SNCP

- SNCP- Health Quality Incentive Initiative
 - HQII
 - Increased every year and paid based on Hospital' performance levels on outcome measures
 - Intended to incentivize hospitals to meaningfully improve the health and quality of care of the Medicaid and uninsured individuals that they serve
 - The measures utilized by the program have to be approved by CMS

What HSD still plans to do....

- Adjust the reimbursement rates for Investor Owned and Non-state Governmental Hospitals effective January 1.
- Implement the Nursing Facility Quality Surcharge bill (with retro effective date of July 1, 2019) once we have an appropriation
- Revise the Safety Net Care Pool program to address CMS concerns

Other January 1 Adjustments

- Adjust our FFS hospital reimbursement rates to Not-for-Profit hospitals that serve a large number or percentage of Native Americans
- Increase LARC reimbursement
- Authorize an increase in the number of individuals served by the PACE program
- Provide an enhanced rate for delivery of Behavior Management Services in Centennial Care
- HHS 2020 (MMISR)

SUMMARY

- We recognize the plight of Rural Hospitals and those that disproportionately serve the uninsured and those most at risk
- We recognize the responsibility that HSD and Medicaid have to bolster, incent and grow the provider network in the state
- We recognize the urgent need to rebuild our behavioral health network and rebuild relationships
- We are taking action on all fronts
- We are running as fast as we can

THANK YOU

Questions??