State of New Mexico
Medical Assistance Program Manual

Supplement

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TO: ALL PROVIDERS PARTICIPATING IN THE NEW MEXICO MEDICAID PROGRAM

FROM: CAROLYN INGRAM, DIRECTOR
MEDICAL ASSISTANCE DIVISION

BY: ROSEMARY B. MEDRANO, BENEFITS BUREAU

SUBJECT: REDUCTION IN MEDICAID PAYMENTS EFFECTIVE JULY 1, 2004.

Effective with dates of service 07/01/2004, provider reimbursement will be reduced by 1.5%. For some providers, alternatives to the 1.5% reduction consistent with their reimbursement methodology will be implemented.

This reduction is being made due to serious Medicaid budget issues. Health care costs in general have continued to grow, and Medicaid has not been spared. The enhanced rate of federal Medicaid funding Medicaid currently receives will disappear in fiscal year 2005. In addition, the usual rate of federal matching funds will also be reduced due to the increase in New Mexico's per capita income. Over the past four years, the number of New Mexicans covered by Medicaid has increased by nearly 40 percent while services have been added to better serve recipients. Cost increases have simply outpaced available revenues.

The Human Services Department submitted to the Medicaid Advisory Committee all options available to New Mexico Medicaid, including research on certain successful efforts by other states in similar situations. The input received from this group proved invaluable as Medicaid moved forward with the decision-making process.

A great deal of analysis went into each and every option that was discussed and input from all stakeholders was given serious consideration. Throughout the process, Medicaid adhered to our 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 will 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 in order to address the serious budget situation.

The following describes how providers will be affected by the reduction:

A. PROFESSIONAL SERVICES, PRACTITIONER SERVICES, AND OTHER PROVIDERS

1. **Physicians, Practitioners, and Other Service Providers:** Unless indicated elsewhere in this notice, services billed using Current Procedural Terminology (CPT) and Healthcare Common Procedure Coding System (HCPCS) procedure codes will be affected by the reduction. This includes services paid at fee schedule rates as well as rates specific for individual providers and types of providers.

   Payment for eyeglass frames, hearing aids and for medical attendants during non-emergency ground transportation have already been reduced by assigning new reimbursement levels and will not be subject to the 1.5% reduction. Repairs for equipment and other items for which the provider is required to bill actual invoice costs or is paid actual invoice cost plus a percentage will not be affected by the reduction. Also, when reimbursement is made for actual shipping costs or postage, the 1.5% reduction will not apply.

2. **Hospice Services:** There will be a 1.5% reduction for all hospice services except for the rate paid for a client in a nursing facility. The rate for a client in a nursing facility will continue to be 90% of the nursing home rate. However, the nursing home rate is subject to change as indicated in item IV, below.

3. **HCBS Waiver Services:** There will be a 1.5% rate reduction for all services provided under the Medicaid Home and Community Based Services (HCBS) Waivers. HCBS Waivers include the AIDS Waiver, Disabled and Elderly Waiver, Developmentally Disabled Waiver, and Medically Fragile Waiver. For dates of service beginning July 1, 2004, all waiver services should be billed at the reduced rate. HCBS billing instructions that include the reduced rates will be mailed to providers.

4. **Treatment Foster Care Providers, Residential Treatment Centers, and Accredited Residential Treatment Centers:** There will be a 1.5% reduction to the reimbursement rate of all services rendered by these providers.

5. **Dental Services:** There will be a 1.5% reduction to the reimbursement rate of all services rendered by these providers.

6. **Case Management, Early Intervention and EPSDT Screening:** There will be a 1.5% reduction to the rate of all services rendered by these providers.

7. **Procedure Codes Previously Reduced:** Procedure codes that were reduced to 100% of the 2004 Medicare fee schedule effective 05/01/2004, will be further reduced only if the initial reduction was less than 1.5%.

B. HOSPITAL SERVICES

1. **Inpatient Hospital Services:** The DRG base rate, capital (pass through) rate, and inpatient cost to charge ratio will be reduced by 1.5%. This reduction will affect in-state general acute hospitals and border area hospitals.

2. **Psychiatric, Rehabilitation, and Other Specialty Hospitals:** When these providers are reimbursed using TEFRA principles and subject to an annual cost settlement process, they will receive a reduction during the cost settlement process. Border area and out-of-state hospitals that are not cost settled will be subject to the 1.5% reduction. Outpatient hospital services paid at fee schedule rates, such as laboratory services, will be reduced by 1.5%.

3. **Other Inpatient Hospital Services:** Payments to border area and out-of-state hospitals not subject to the cost settlement process will be subject to the 1.5% reduction.

4. **Outpatient Hospital Services:** Instate providers are paid at an interim percentage rate and will receive a reduction in their cost settlements. Services paid at fee schedule rates, such as laboratory services, will be reduced by 1.5%.

   Payments to border area and out-of-state hospitals not subject to the cost settlement process will be subject to a 1.5% reduction in their reimbursement percentage.

C. DIALYSIS SERVICES AND AMBULATORY SURGICAL CENTERS

Reimbursement changes for dialysis composite rates and ambulatory surgical center surgical group rates will be considered separately using the regulation promulgation process. Payments to these providers for services other than the dialysis composite rate and the surgical group rate will be subject to the 1.5% reduction.

D. ALTERNATIVES TO THE 1.5% REDUCTION

For some provider types (as listed below), the providers' interim reimbursement is adjusted through an annual cost settlement process, or when rates are established through cost audits or set by the federal Office of Management and Budgets (OMB), payments will not be reduced by 1.5%. Rather, the reduction will be made in a manner consistent with each provider type's reimbursement methodology. In other instances, a reduction has been achieved through negotiated or newly established rates.

1. **Home Health Agencies:** These providers will have a cap placed on reimbursement in the cost settlement process.

2. **Rural Health Clinics:** These providers will have a cap placed on reimbursement in the cost settlement process.

3. **Federally Qualified Health Centers:** These providers will continue to be reimbursed at 100% of their reasonable costs, but the definition of "reasonable cost" will be evaluated.

4. **Indian Health Services and Tribal 638 Compact Facilities:** These providers will continue to be reimbursed at the OMB rate when applicable. For services not reimbursed at the OMB rate, the 1.5% reduction will apply to the same extent as for non-IHS facilities.

5. **PACE Services:** The PACE Program will not be affected by the 1.5% reduction. Rather, new rates are in the process of negotiation.

6. **Personal Care Option Services:** The 1.5% reduction is not being applied to Personal Care Option services as reductions have already been implemented in this area.

7. **Nursing Facility and ICF-MR Facilities:** The 1.5% reduction will not apply to the prospective payment rate. Rather, new rates are being determined through the periodic re-basing process.

BILLING PROCEDURES:

Unless noted above, provider billing procedures will not change with the implementation of the reduction in payment. Please reference your policy manual and/or billing instruction document for further billing guidance. The policy manual and/or billing instruction document for your specific area of service may be obtained from the Human Services Department, Medical Assistance Division Website under "Provider Information" at http://www.state.nm.us/hsd/mad/Index.html

CONTACTING MEDICAL ASSISTANCE DIVISION (MAD) PROGRAM STAFF

For questions regarding the above you may contact the following MAD Program staff member.

Professional Services, Dialysis, Ambulatory Surgical Centers, Clinics, Hospice, Home Health and Indian Health Services: Rosemary Medrano, Benefits Bureau at (505) 827-6200 or Christine Poe, Benefits Bureau (505) 827-3180

Behavioral Health Services: Eric Wolf, Benefits Bureau at (505) 827-3117

Dental Services: Robert Birdwell, DDS at (505) 827-3177

Hospital Services: Anna Bransford, Program Administration Bureau at (505) 827-3127

HCBS Waiver Services: Judy Parks, HCBS Program Manager, at (505) 827-3150