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Letter of Direction #43-2

Date: March 3, 2026

To: Turquoise Care Managed Care Organizations

From: Alanna Dancis Acting Director, Medical Assistance Division 

Subject: University of New Mexico (UNM) Hospital Directed Payment Repeal and Replace Letter of Direction (LOD) 43-1

Title: Calendar Year (CY) 2026 UNM Hospital Directed Payment R&R LOD #43-1

The Health Care Authority Medical Assistance Division (HCA/MAD) has received approval from the Centers for Medicare and Medicaid Services (CMS) for the annual renewal of the UNM Hospital directed payment in accordance with Section 438.6(c) for January 1, 2026 – December 31, 2026. This Letter of Direction (LOD) repeals and replaces LOD #43-1 issued by HCA/MAD on July 11, 2025. The following updates are included in this revised LOD:

- Updated payment distribution dates for CY 2026
- Updated Quality Metric Performance Targets for CY 2026
- Updates to Reporting of UNM Hospital Paid Claims section

Background

Since CY 2020, HCA/MAD has received approval from CMS for the UNM Hospital directed payment in accordance with 42 CFR 438.6(c) for UNM Hospital. HCA/MAD intends to distribute the approved funding to the Managed Care Organizations (MCOs) as described in this LOD. The distribution of the payment by HCA/MAD will be separated from the regular capitated payment and the MCOs will distribute the funds to UNM Hospital.

Distribution of Directed Payment

HCA/MAD will make payment to each MCO quarterly based on the distribution of claims. For example, in October 2026 HCA/MAD will evaluate utilization by MCO for the period between July 1, 2026, to September 30, 2026, and use that as a basis to distribute the quarterly payment funds to each MCO. The quarterly payments for Quarters 1, 2, and 3 are subject to reconciliation with claims data runout. This approach will:

- Provide HCA/MAD the opportunity to evaluate emerging data and more closely align the directed payment amounts to the MCO over a twelve (12) month period.
- Provide HCA/MAD with information for federal claiming, reporting Waiver expenditures and for inter-governmental transfer tracking purposes.

Payment Distribution Schedule January 1, 2026– December 31, 2026

Directed Payment Date	Incurred and Paid Data Analysis Period
June 2026	1/1/2026 – 3/31/2026 (CY26 Q1)
September 2026	1/1/2026 – 6/30/2026 (CY26 Q2 and Q1 Reconciliation)
December 2026	1/1/2026 – 9/30/2026 (CY26 Q3 and Q 1-2 Reconciliation)
March 2027	1/1/2026 – 12/31/2026 (CY26 Q4 and Q1-3 Reconciliation)
June 2027 Quality Payment	1/1/2026 – 12/31/2026

**Payment dates may change based on CMS approval for the CY 2026 UNM Hospital Directed Payment. Payments will be made retroactively if CMS approval occurs after payment date.*

Quality Metrics and Payment Distribution Schedule

The performance targets were determined in conjunction with UNM Hospital based on a review of current performance by UNM Hospital, setting reasonably achievable goals for performance improvement.

A portion of the directed payment amount will be contingent on UNM Hospital meeting predetermined quality improvement targets. The state will release the quality payment for each measure that UNM Hospital meets or exceeds the target; each measure is worth 10 percent (10%) of the total quality payment. HCA/MAD will approve the payment amount for each measure UNM Hospital meets or exceeds the target as a bonus payment. The bonus payment will be allocated and paid to the MCOs based on the proportional share of utilization of each MCO; the MCOs are to transfer the quality bonus payment to UNM Hospital as directed by HCA/MAD.

The quality bonus payment for the UNM Hospital directed payment is based on the quality metrics below:

<u>Quality Metric</u>	<u>Baseline Statistic CY 2023</u>	<u>CY 2026 Performance Target</u>	<u>Notes</u>
Death among patients with serious treatable complications after surgery	149.11	148.11	
Initiation of medication for Alcohol Use Disorder for individuals ages 18 and older	8%	18%	This measure deviates from NCQA HEDIS technical specifications as it will capture members age 18 and older as

			opposed to age 13 and older.
Serious complications that patients experienced during a hospital stay or after having certain inpatient procedures	1.26	1.24	
Initiation of Medication for Opioid Use Disorder (MOUD)	43%	53%	
Opioid Abuse Disorder (OAD)/ Opioid Use Disorder (OUD) patients' receipt of prescription of naloxone treatment prior to discharge from birth admission	31.10%	41.10%	Measure Steward: Alliance for Innovation on Maternal Health Den: Pregnant and postpartum people with a diagnosis of substance use disorder. Num: Among the denominator, those with documentation of having received or been prescribed Naloxone prior to discharge from their birth admission.
Screening for Social Drivers of Health (SDOH)	79.50%	85.00%	
Follow up after Emergency Department visit for mental health (7-day)	41.72%	42.72%	
Follow up after Emergency Department visit for mental health (30-day)	58.60%	59.60%	
Follow up after hospitalization for mental health (7-day)	38.35%	39.35%	
Follow up after hospitalization for mental health (30-day)	65.41%	66.41%	

The quality payments for measures UNM Hospital meets or exceeds the target during CY 2026 will be made as scheduled below:

Quality Period	UNM Hospital Quality Payment Date
January 1, 2026 – December 31, 2026	June 30, 2027

The MCOs shall work with UNM Hospital to identify barriers that members encountered with timeliness and access to care, and quality of care during their inpatient stay at UNM Hospital and after discharge. The MCOs will assist in facilitating follow-up care after discharge to ensure continuation of medical care that would lead to improve member health outcomes.

Other Directed Payment Details

This section provides information on operations and reporting requirements associated with the directed payment.

- The directed payments are classified as revenue attributed to medical expenses and therefore classified as “premium”. The quarterly payments will include gross-up amounts to account for underwriting gain, premium, and surtax taxes.
 - HCA/MAD will provide each MCO the amount of the directed payment and break out the gross-up amounts for each rate cohort.
- The directed payment will be included in the MCO’s Medical Loss Ratio and Underwriting Gain calculations outlined in the MEDICAID MANAGED CARE SERVICES AGREEMENT.
 - HCA/MAD directs each MCO to report the revenue received for the directed payment in the quarterly and annual Financial Reporting package as “other revenue”. The amounts recorded in the financial reporting package **must** match the total payment made by HCA/MAD to the MCO by rate cohort.
 - HCA/MAD directs each MCO to report the amount paid by the MCO to UNM Hospital for the directed payment in the quarterly and annual Financial Reporting package as “other services”. The amounts recorded in the financial reporting package **must** match the total payment made by HCA/MAD to the MCO by rate cohort.
 - HCA/MAD directs the MCOs to support UNM Hospital by providing support to Medicaid beneficiaries to improve quality of care outcomes.
- Amounts paid by the MCO to UNM Hospital for the directed payment should also be reported in FIN-Report #5 for “Other Services” in the Shared Risk/Incentive Arrangements (All programs – Line 42). This will ensure that the FIN-Report Check Totals tab do not identify submission errors.
- Reconciliations performed as part of the MCO contract (Retroactive Period and Patient Liability) will not include the directed payment revenue or expense.
- The directed payment amount paid by the MCO to UNM Hospital should not be included in encounter data submissions.

Reporting of UNM Hospital Paid Claims

The MCO’s are required to submit utilization and paid amounts by claim, rate cohort and month in which the service occurred for each month and as prescribed below. Data is due each quarter. **MCOs must submit the data no later than fifteen (15) business days after the last business day of the prior quarter. MCOs must continue reporting data beyond the respective calendar year unless otherwise directed by HCA/MAD.** MCOs must submit the electronic version of paid claim files to HCA/MAD’s secure DMZ FTP site using the following filename structure:

[MCO acronym].[LOD reference].[submission reference].[calendar year reporting cycle].[version number]

Acceptable File Formats:

- Delimited text file (*.txt or *.csv)

Requirements:

- Table 1 illustrates the data required and information about how the field should be formatted and Table 3 provides an example of the data output.
- Data should be limited to UNM Hospital. The National Provider Identification (NPI) numbers for Billing Provider NPI that identify UNM Hospital are provided in Table 2.
- The report should be based on incurred **and** adjudicated paid claims.
- Denied or voided claims should be excluded.
- The claim type should represent hospital claims.
- Rate cohort assignment **must** be based on the cohort assignment for the member as of the incurred date of the claim.
- Each run of the report should include a refresh of the prior reported data periods and include:
 - Changes that may occur in the member’s cohort assignment.
 - Removal of data when a member loses eligibility.
 - The amount paid by the MCO to the UNM Hospital.

Table 1 - Data File Fields

Field Name	Field Information	Format
Billing Provider NPI	1689747552	Text
Hospital Stay Type	Either “Inpatient” or “Outpatient” depending on hospital stay	Text
Month of Service	The date of service must be formatted as 4-digit year and 2-digit month. “YYYYMM”	Text
Rate Cohort	<p>This should be the rate cohort assigned by HCA/MAD to the member for the month the service was incurred. If a member cohort is changed retroactively by HCA/MAD the report should reflect the cohort assigned as of the date of the report.</p> <p>Acceptable values align with Financial Reporting Package Rate Cohorts: 001, 002, 003, 004, 005, 006, 007, 008, 009, 010, 011, 012, 013, 300A, 300B, 300C, 301, 302A, 302B, 302C, 303, 304, 310, 312, 320, 322, 110, 111, 112, 114, 115, 116, 117, 118, 119, 120, 121, 122 (<i>113 does not exist</i>)</p>	Text

Field Name	Field Information	Format
Paid Claims	Number of paid claims	Number
Paid Amount	Amount paid by the MCO	Number

Table 2 – UNM Hospital Billing Provider NPIs

UNM Hospital	1689747552
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Table 3 - Data File Example

Billing Provider NPI	Hospital Type	Stay	Month of Service	Rate Cohort	Paid Claims	Paid Amount
1689747552	Inpatient		202601	002	46	\$4,462.92
1689747552	Inpatient		202602	003	92	\$4,781.24
1689747552	Outpatient		202603	009	81	\$7,128.00

This LOD will sunset when direction is provided in one or more of the following: Turquoise Care Managed Care Services Agreement, Managed Care Policy Manual, NMAC, Systems Manual, or Behavioral Health Services Division (BHSD) Billing and Systems Manual. The LOD may also sunset upon HCA notification or completion of the Turquoise Care Program.