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Kari Armijo, Secretary
Dana Flannery, Medicaid Director

Letter of Direction #64

Date: August 14, 2025

To: Turquoise Care Managed Care Organizations

From: Dana Flannery, Director, Medical Assistance Division 

Subject: Turquoise Care Reimbursement for Tribal 638 Nursing Facilities

Title: Tribal 638 Nursing Facilities

The purpose of this Letter of Direction (LOD) is to direct the Turquoise Care Managed Care Organizations (MCOs) and provide information for the Centers for Medicare and Medicaid (CMS) approved Tribal 638 Nursing Facilities (NFs) to be reimbursed for NF services at the Outpatient Office of Management and Budget (OMB) rate. Approved Tribal 638 NFs will have an IHS indicator on the provider enrollment file. The OMB rates are published annually and specified in the Federal Register by the U.S. Department of Health and Human Services' Indian Health Service.

MCOs will not pay less than the current calendar year outpatient OMB rate for Tribal 638 nursing facilities under the authority of [42 CFR 438.14\(c\)\(2\)](#).

For approved Tribal 638 NFs, there will be one single daily rate for both High Nursing Facility (HNF) and Low Nursing Facility (LNF). For an approved Tribal 638 NF to receive the Outpatient OMB rate, the member must meet a LNF in accordance with the NF LOC Criteria Instructions 2019 that may be found at <https://www.hsd.state.nm.us/providers/nursing-facility-level-of-care/>

The MCOs are to reimburse for reserve bed days at a rate of one-half of the Outpatient OMB rate in accordance with 8.312.2.16D NMAC.

If the MCO has any outstanding claims or claims which were not paid at the correct OMB rate, the MCOs must make any system adjustments needed and reprocess claims within 60 days of the date of the LOD. The MCOs must waive timely filing as needed to adjust claims. The MCOs will report on their progress to adjust claims thirty (30) days after the date of the LOD, if applicable. The MCOs will confirm completion of claim adjustments sixty (60) days after the date of this LOD, if applicable.

Health Care Quality Surcharge (HCQS) Nursing Facility Historical Overview

The Health Care Quality Surcharge Act was created by Senate Bill 246 (SB246) in the 2019 Regular Legislative Session. (The legal citation is 7-41-1 to 7-41-8 NMSA 1978). The program imposes a daily surcharge on certain types of facilities for non-Medicare bed days. The purpose of

the surcharge is to increase each facility's Medicaid reimbursement rates by at least the rate of nursing home inflation and to provide bonus payments to Medicaid facilities based on performance data. Effective July 1, 2025, the HCQS and NF Value Based Payment Program (VBP) merged into one program: HCQS-VBP.

The payment methodology has three payment mechanisms associated with the HCQS-VBP program.

- Capitation: Surcharge Add-On
- Capitation: MBI Increase
- Separate Payment Term: Quality payment

Please refer to the most current year HCQS-VBP Letter of Direction for further details on the program. [FINAL-LOD-29-2-SFY26-50-NF-Rebase-HCQS-VBP-PerDiem-MBI-Increase-RR-29-1-2.pdf](#)

Health Care Quality Surcharge Tribal 638 Nursing Facility Participation

Tribal 638 NFs are eligible to bill the Outpatient OMB rate, which is updated each calendar year. With the all-inclusive outpatient OMB rate, approved Tribal 638 facilities will not participate in the HCQS surcharge add-on or receive the Market Basket Index (MBI) increase each July 1.

Tribal 638 NFs can participate in the Quality Component of HCQS-VBP under the following parameters:

- Medicaid Certified Nursing Facility
- Required contracts/agreements executed with the Data Intermediary and MCOs
- Must submit required data to Data Intermediary and meet data completeness standards
- Must have Medicaid utilization during the measurement quarter to receive payment

The approved NM State Plan Amendment (SPA) to allow for this reimbursement states:

Effective August 18, 2023, the Health Care Authority will reimburse Tribal 638 Nursing Facilities at the Office of Management and Budget (OMB) outpatient rate as published and specified in the Federal Register. This rate will be updated annually based on rates published each year in the Federal Register by the U.S. Department of Health and Human Services' Indian Health Service, under the authority of Sections 321 (a) and 322 (b) of the Public Health Service Act (42 U.S.C. 248 and 249 (b)), Public Law 83-568 (42 U.S.C. 2001 (a)), and the Indian Health Care Improvement Act (25 U.S.C. 1601 et seq.).

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 Health Care Authority/Medical Assistance Division (HCA/MAD) notification or completion of the Turquoise Care Program.