




Michelle Lujan Grisham, Governor  
Kari Armijo, Secretary  
Dana Flannery, Medicaid Director

### Letter of Direction #70

**Date:** November 25, 2025

**To:** Turquoise Care Managed Care Organizations

**From:** Dana Flannery, Director, Medical Assistance Division 

**Subject:** January 1, 2025-June 30, 2025, Twenty (20) Smallest Rural Hospital State Directed Payment

**Title:** 20 Smallest Rural Hospital Inpatient and Outpatient Services Rate Increase

The purpose of this Letter of Direction (LOD) is to provide instructions to the Turquoise Care Managed Care Organizations (MCOs) for implementation of the January 1, 2025 - June 30, 2025, Twenty (20) Smallest Rural Hospitals (TSRH) one-time state directed payment. The TSRH directed payment will ensure access to high-quality care for Medicaid members through appropriate reimbursement of inpatient (IP) and outpatient (OP) services, assist in strengthening the rural health care workforce, support continuing education, increase rural training opportunities, and support other evidence based rural healthcare workforce development programs. The TSRH rate increases were supported, endorsed and funded by the New Mexico Legislature during the 2024 regular session.

The Health Care Authority/Medical Assistance Division (HCA/MAD) has received approval from the Center for Medicare & Medicaid Services (CMS) for the Twenty (20) Smallest Rural Hospitals state directed payment effective January 1, 2025 - June 30, 2025. HCA/MAD intends to distribute the approved funding to MCOs as described in this letter of direction. The TSRH state directed payment is listed under Attachment 10 for MCO Contract Amendment #3.

#### **Twenty (20) Smallest Rural Hospitals**

The provider class for this directed payment is defined as the twenty hospitals in rural or underserved New Mexico counties, with an active provider type 201 (general acute care hospital) with less than 98 beds. The hospitals that qualify for this directed payment are included in *ATTACHMENT-A: TWENTY (20) SMALLEST RURAL HOSPITALS*.

#### **Payment to MCO**

The TSRH directed payment is structured as a uniform dollar increase for inpatient and outpatient

services (paid claims) for dates of service January 1, 2025 - June 30, 2025. Funding will be allocated to the MCOs and subsequently paid by the MCOs to the hospitals based on actual utilization during January 1, 2025 - June 30, 2025. TSRH directed payment will be paid to MCOs as a separate payment term outside of the monthly capitation rates. Based on the November 2025 CMS directed payment approval date, HCA/MAD will make payments to each MCO in early January 2026, for payment to the eligible rural hospitals by the end of January 2026 for eligible IP and OP services. The payment schedule is provided on the table below.

**Payment Distribution Schedule January 1, 2025 - June 30, 2025**

Directed Payment to MCO	Directed Payment Date to TRSH	Incurred and Paid Data Analysis Period
January 2026	January 2026	1/1/2025-6/30/2025

**Reporting of Twenty (20) Smallest Rural Hospitals January 1, 2025 - June 30, 2025**

The MCOs do not have to reprocess claims for services rendered from January 1, 2025 - June 30, 2025. However, the MCOs are required to submit utilization and paid amounts for dates of service from January 1, 2025 - June 30, 2025, by month of service, provider type, and rate cohort and as prescribed below. **MCOs must submit the data no later than fifteen (15) calendar days after implementation of this LOD.** Then after HCA/MAD provides payment exhibits to the MCOs based on this LOD, the MCOs will provide weekly updates, via email, to HCA/MAD on the status of provider payments every Friday by 5 pm until the providers are paid and HCA/MAD requests to cease the status update. **The 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 2 provides an example of the data output.
- Data should be limited to applicable eligible hospitals. The National Provider Identification (NPI) number for the Billing Provider NPI is provided in *ATTACHMENT-A: TWENTY (20) SMALLEST RURAL HOSPITALS*.
- The report should be based on incurred **and** adjudicated paid claims.
- Denied or voided claims should be excluded.
- The claim type should represent inpatient and outpatient claims.
- Rate cohort assignment **must** be based on the cohort assignment for the member as of the incurred date of the claim.

**Table 1 – Data File Fields**

Field Name	Field Information	Format
Billing Provider NPI	Twenty (20) Smallest Rural Hospitals NPI	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><b>Acceptable values align with Financial Reporting Package Rate Cohorts:</b> 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
Paid Claims	Number of Paid Claims	Number
Paid Amount	Amount paid by the MCO	Number

**Table 2 - Data File Example**

Billing Provider NPI	Hospital Stay Type	Month of Service	Rate Cohort	Paid Claims	Paid Amount
XXXXXXX	Outpatient	202501	002	46	\$4,462.92
XXXXXXX	Outpatient	202502	003	92	\$4,781.24
XXXXXXX	Outpatient	202503	009	81	\$7,128.00
XXXXXXX	Inpatient	202501	002	46	\$4,462.92
XXXXXXX	Inpatient	202502	003	92	\$4,781.24
XXXXXXX	Inpatient	202503	009	81	\$7,128.00

## **TSRH Directed Payment Operational and Reporting Requirements**

This section provides information about operational 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 one-time payment will include gross-up amounts to account for underwriting gain, premium and surtax taxes.
  - HCA/MAD will provide each MCO with 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 MCOs’ 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 the eligible hospitals 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 the eligible hospitals by providing additional support to Medicaid beneficiaries to improve quality of care outcomes.
- Amounts paid by the MCO to the eligible hospitals 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 does 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 the eligible hospitals should not be included in encounter data submissions.

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/MAD notification or completion of the Turquoise Care Program.

**ATTACHMENT-A:  
TWENTY (20) SMALLEST RURAL HOSPITALS**

<b>TWENTY (20) SMALLEST RURAL HOSPITALS</b>	<b>NPI</b>
Alta Vista Regional Hospital	1396716643
Cibola General Hospital	1780677039
Covenant Health Hobbs	1215534466
Guadalupe County Hospital	1346249968
Otero County Hospital Association (formerly Gerald Champion Regional Medical Center)	1861450579
Gila Regional Medical Center	1336220839
Holy Cross Hospital	1902338049
Lincoln County Medical Center	1558347708
Lovelace Regional Hospital-Roswell	1972878361
Deming Hospital (formerly Mimbres Memorial Hospital)	1891075446
Miners Colfax Medical Center	1083931109
Sierra Vista Hospital	1760446009
Presbyterian Healthcare Services (Espanola Hospital)	1154307593
Roosevelt General Hospital	1073517058
Presbyterian Healthcare Services (Dan C. Trigg Memorial Hospital)	1962488304
NorLea General Hospital	1881630036
Rehoboth McKinley Christian Hospital	1720084999
Union County General Hospital	1427051002
Socorro General Hospital	1790761138
Artesia General Hospital	1437286044