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Kari Armijo, Cabinet Secretary
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Letter of Direction #127

Date: September 27, 2024

To: Centennial Care 2.0 Managed Care Organizations

From: Dana Flannery, Director, Medical Assistance Division 

Subject: Rural Hospital Obstetrics (OB) State Directed Payment

Title: Rural Hospital Obstetrics (OB) Inpatient and Outpatient Services Rate Increase

The New Mexico Human Services Department (HSD) is announcing its intention to raise Medicaid provider payment rates to active Rural Hospital Obstetrics (OB) services effective January 1, 2024, through June 30, 2024, outlined in House Bill 2 of 2023 (HB2). Raising Medicaid payment rates for inpatient and outpatient hospital services for hospitals in rural or underserved communities with active maternal/obstetric services will ensure access to high-quality care for Medicaid members through appropriate reimbursement of health care services. The proposed rate increases were supported, endorsed and funded by the New Mexico Legislature during the 2023 regular session.

The purpose of this Letter of Direction (LOD) is to provide guidance to the Centennial Care 2.0 (CC2.0) Managed Care Organizations (MCOs) for implementation of the inpatient and outpatient hospital services rate increase for all inpatient and outpatient hospital services for the Rural OB Hospitals for utilization incurred by Medicaid enrollees beginning January 1, 2024, through June 30, 2024. The Rural Hospital OB state directed payment is listed under Attachment 11 for CC 2.0 Contract Amendment #9.

Background

HSD Medical Assistance Division (MAD) has submitted required documentation to the Centers for Medicare and Medicaid Services (CMS) for a directed payment in accordance with Section 438.6(c) for Rural OB Hospitals. CMS has approved this Rural OB Hospital state directed payment for CY24 January 1, 2024-June 30, 2024. HSD intends to distribute the approved funding to the CC 2.0 MCOs as described in this LOD. The distribution of the payment by HSD will be separate from the regular capitated payment and the MCOs will distribute the funds to the Rural OB Hospitals listed within *ATTACHMENT-A: RURAL OB HOSPITALS*.

Rural Obstetric (OB) Hospitals

The provider class for this directed payment is defined as hospitals in rural or underserved New Mexico counties with active maternal/obstetric programs. The hospitals that qualify for this directed payment are included in *ATTACHMENT-A: RURAL OB HOSPITALS*.

Distribution of Directed Payments

MAD will make a payment to each MCO in October 2024, for payment to Rural OB Hospitals by December 9, 2024. The amount of the payment for each MCO will be based on the distribution of inpatient and outpatient service claims. The payment schedule is provided in the table below. MAD will evaluate the inpatient and outpatient claims data from January 1, 2024-June 30, 2024, with a 3-month run out of claims.

Payment Distribution Schedule

Directed Payment Date	Incurred and Paid Data Analysis Period
December 9, 2024	1/1/2024-6/30/2024 (CY24 Q1-Q2 Final reconciliation)

*Final payment made on December 9 ,2024, to reflect three months of runout from the 1/1/24-6/30/24 period.

Other Directed Payment Details

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 reflect applicable risk/margin and premium taxes.
 - o 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 MCOs’ Medical Loss Ratio and Underwriting Gain calculations outlined in the **MEDICAID MANAGED CARE SERVICES AGREEMENT**
 - o MAD directs each CC 2.0 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 MAD to the MCO by rate cohort.
 - o MAD directs each CC 2.0 MCO to report the amount paid by the MCO to each Rural OB Hospital and 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 MAD to the MCO by rate cohort.
 - o MAD directs the TC MCOs to support Rural OB Hospitals by providing additional support to Medicaid beneficiaries to improve quality of care outcomes.
- Amounts paid by the MCO to Rural OB 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 do not identify submission errors.
- Reconciliations performed as part of the CC 2.0 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 Rural OB Hospitals should not be included in encounter data submissions.

Reporting of Rural OB Hospital Paid Claims

The CC 2.0 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 for this one-time reconciliation payment is reported on the CY24 Q3 report for CY24 Q1 and Q2 services. MCOs will no longer be required to report after the end of CY24 Q3. **MCOs must submit the data no later than ten (10) business days after the last business day of the prior quarter.** MCOs must submit the electronic version of paid claim files to HSD’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)
- Microsoft Access (*.accdb)

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 Rural OB Hospitals. The National Provider Identification (NPI) number for the Billing Provider NPI is provided in *ATTACHMENT-A: RURAL OB HOSPITALS*.
- The report should be based on incurred **and** adjudicated paid claims.
- Denied or voided claims should be excluded.
- 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	Rural OB Hospital 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-character year and 2-character month. “YYYYMM”	Text
Rate Cohort	This should be the rate cohort assigned by MAD to the member for the month the service was incurred. If a member cohort is changed retroactively by MAD, the report should reflect the cohort assigned as of the date of the report.	Text

Field Name	Field Information	Format
	Acceptable values align with Financial Reporting Package Rate Cohorts: 001, 002, 003, 004, 005, 006, 007, 008, 009, 010, 011, 012, 300, 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>)	
Paid Claims	Number of Paid Claims	Number
Paid Amount	Amount paid by the MCO	Number

Table 2 - Data File Example

Billing Provider NPI	Hospital Type	Stay	Month of Service	Rate Cohort	Paid Claims	Paid Amount
XXXXXX	Outpatient		202401	002	46	\$4,462.92
XXXXXX	Outpatient		202402	003	92	\$4,781.24
XXXXXX	Outpatient		202403	009	81	\$7,128.00
XXXXXX	Inpatient		202401	002	46	\$4,462.92
XXXXXX	Inpatient		202402	003	92	\$4,781.24
XXXXXX	Inpatient		202403	009	81	\$7,128.00

This LOD is under CC 2.0 for CY24 January 1, 2024 – June 30, 2024. The Rural OB Hospital state directed payment will not continue into Turquoise Care. The LOD will sunset upon HCA notification and MCO validation of completion of payments to Rural OB Hospitals.



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**ATTACHMENT-A
RURAL OB HOSPITALS**

RURAL OB HOSPITALS	NPI
Carlsbad Medical Center	1790722346
Cibola General Hospital	1780677039
Covenant Health Hobbs (formerly Lea Regional)	1215534466
Eastern NM Medical Center	1447221742
Gerald Champion Regional	1861450579
Gila Regional Medical Center	1336220839
Holy Cross Hospital	1902338049
Lincoln County Medical Center	1558347708
Lovelace Regional Hospital-Roswell	1972878361
Mimbres memorial Hospital	1891075446
Miners Colfax Medical Center	1083931109
Plains Regional Medical Center-Clovis	1629053509
Presbyterian Espanola Hospital	1215913470
San Juan Regional Medical Center	1427058510
Socorro General Hospital	1790761138