



HB 2 NURSING FACILITY RATES AND METHODOLOGY
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BEFORE WE START...

On behalf of all colleagues at the Human Services Department, we humbly acknowledge we are on the unceded ancestral lands of the original peoples of the Apache, Diné and Pueblo past, present, and future.

With gratitude we pay our respects to the land, the people and the communities that contribute to what today is known as the State of New Mexico.



Evening drive through Corrales, NM in October 2021.
By HSD Employee, Marisa Vigil



MISSION

To transform lives. Working with our partners, we design and deliver innovative, high quality health and human services that improve the security and promote independence for New Mexicans in their communities.

GOALS



**We help
NEW MEXICANS**

1. Improve the value and range of services we provide to ensure that every qualified New Mexican receives timely and accurate benefits.



**We communicate
EFFECTIVELY**

2. Create effective, transparent communication to enhance the public trust.



**We make access
EASIER**

3. Successfully implement technology to give customers and staff the best and most convenient access to services and information.



**We support
EACH OTHER**

4. Promote an environment of mutual respect, trust and open communication to grow and reach our professional goals.

HOUSE BILL 2 (HB2) BACKGROUND

- In 2022, HSD requested Contracted Actuaries perform a comprehensive review of its provider's reimbursement levels and methodologies.
- Development of Provider-Rate-Benchmarking Study*
Two Phases:
 - Phase 1 includes most professional service types in addition to Federally Qualified Health Centers (FQHCs) and rural health centers (RHCs). This captures the Home Community Based Services (HCBS), primary care services, as well as maternal and child health services rendered by practitioners.
 - Phase 2 includes facility services, such as those provided by hospitals and nursing facilities

[*Benchmark Study Phase 2 Report \(Vertical\) \(state.nm.us\)](https://state.nm.us)

HB2 BACKGROUND (CONTINUED)

Provider-Rate-Benchmarking Study

- Actuaries used encounter and Fee For Service (FFS) claims data for services provided from January 1, 2019 through December 31, 2019 (CY2019). Actuaries used the utilization in this data period to compare managed care payment levels to the FFS in CY2019 as well as to adjust (or weight) the CY2021 FFS benchmark relationships.
- Actuaries considered using more recent data, for example, CY2020 dates of service. However, later periods included notable fluctuations in service utilization and expenditures as a result of the COVID-19 pandemic and associated public health emergency.
- The CY2019 period provided the **most recent available complete, stable picture of future Medicaid utilization.**
- For nursing facilities, the contracted actuaries compared the NM Medicaid FFS payments to the estimated facility costs (based on facility costs reported in Medicare cost reports)

HB2 BACKGROUND (CONTINUED)

- New Mexico Medicaid reimburses nursing facilities using a two-tiered payment system based on the care needs of the patient.
 - High level of care (HNF)
 - Low level of care rate (LNF)
- In 2019, Medicare transitioned its nursing facility reimbursement to the Patient-Driven Payment Model (PDPM). The PDPM reimburses skilled nursing facilities (SNFs) based on patient conditions and health care needs rather than the volume of services provided.
- PDPM was designed to support the shorter lengths of stay associated with Medicare's coverage limits for SNFs and does not accommodate longer-term and fluctuating therapy needs that are more common for the Medicaid population.

HB2 BACKGROUND (CONTINUED)

- Medicare reimburses nursing facilities using either facility-specific, patient-specific or geographic-specific rates, therefore, direct comparison to New Mexico's facility specific rates is not possible.
- The detail required to reprice Medicaid nursing facility claims data using the Medicare nursing facility methodology was not available on the New Mexico managed care claims data.
- Since it was not possible to recalculate the Medicare payments for nursing facility services, contracted actuaries estimated the facility costs using Medicare cost report data for another data point, as payment rates are typically tied to the provider's cost to deliver service.
- The Governor signed HB2 on April 7, 2023

HB2 NURSING FACILITY RATE INCREASES

HB2- “Raises the rates for rural hospitals, hospitals, and nursing facilities up to 100% of Medicare or equivalent rates.”

Nursing Facility Rate Increases:

Low Level of Care (LNF) Acuity Adjusted Rate Increase: \$9.69

High Level of Care (HNF) Acuity Adjusted Rate Increase: \$14.19

NF VBP CY24: additional \$5M added to total funding

Currently \$4.5M + 5M = \$9.5M CY24

MCOs will be directed to treat the FFS schedule as the floor, requiring the MCOs pay providers no less than the FFS rates published. MCOs will be directed not to reduce or lower rates based on HB2 rate increases.

Rates will be effective July 1, 2023 and mass adjustments will be made retrospectively

ELIGIBILITY METHODOLOGY

- Effective October 1, 2019 CMS transitioned the Medicare skilled nursing facility prospective payment system (PPS), based on a RUG-IV case mix classification model, to a Patient-Driven Payment Model.
- The underlying basis for both of these resident specific acuity models is the Minimum Data Set (MDS) assessment that nursing facilities are required to complete and submit for all residents.
- Since New Mexico does not reimburse nursing facilities using acuity levels driven by the MDS, this data was not available in order to determine the estimated Medicare payments using PDPM for MCO or FFS claims.
- Rate increases were developed with the understanding that a re-base will occur in SFY25.

ELIGIBILITY METHODOLOGY RATE BUILDUP

Average High/Low Rates Effective 7.1.2023 (HCQS Increase) - From "NF Rates Eff. 7.1.2023" Tab		
Low Rate	231.72	
High Rate	339.29	
High Rate as % of Low	146%	
Total MCD Days from CRs ending in CY2019 - From "Cost Report Data 2019" Tab		
Low MCD Days from CR	1,346,777	96.49%
High MCD Days from CR	48,957	3.51%
Total MCD Days	1,395,733	100%
HSD MCD Days Allocated Low	1,337,668	1,290,748
HSD MCD Days Allocated High	1,337,668	46,920
Formulas needed to give high and low proportional rate increases		
Budget Amount = ((H x High MCD Days) + (L x Low MCD Days))		L = Low Rate Increase
H = 146% x L		H = High Rate Increase
Calculated Low Rate Increase	\$	9.69
Calculated High Rate Increase	\$	14.19

STATE DIRECTED PAYMENTS (SDP)

- HSD will provide CMS with a Technical Amendment to update CY2023 State Directed Payments (SDP) Nursing Facility (NF) VBP & Healthcare Quality Surcharge (HCQS) with an updated Provider Payment Analysis based on HB2 rate increases.
- The Provider Payment Analysis provides CMS the Total Payment Level (after accounting for all SDPs) for the Provider Class reported.
- For CY23, NFs have a total payment level of 75.19% for the NF VBP & a total payment level of 77.35% for HCQS, which leaves room for a percentage increase based on HB2 rate increases.
- CMS will review updated Nursing Facility Provider Payment Analysis and provide updated approval or questions for CY23 SDP
- Once the Technical Amendment to the CY23 SDPs have been submitted, HSD must have CMS Approval before payments can be issued.



HUMAN
SERVICES
DEPARTMENT



QUESTIONS

INVESTING FOR TOMORROW, DELIVERING TODAY.