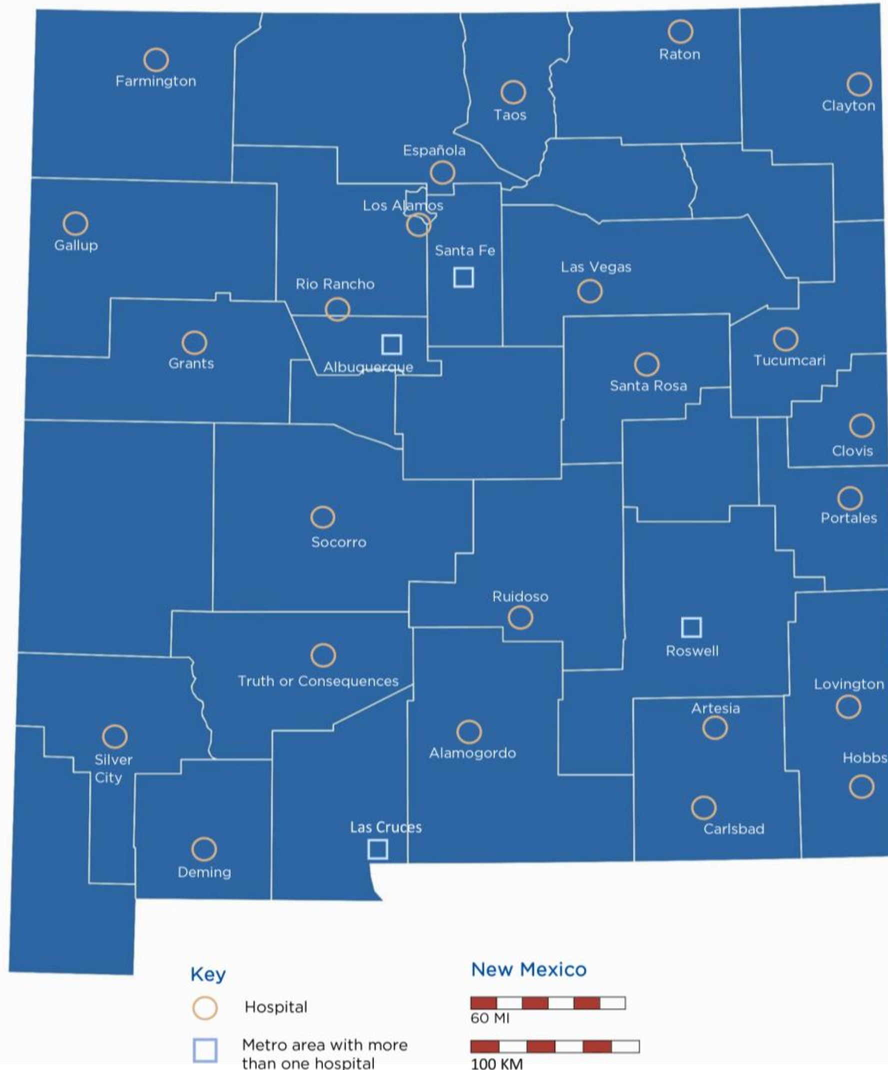
The New Mexico Healthcare Delivery & Access Act

New Mexico Hospital Association

October 18, 2024
NM HFMA 2024 Fall Conference

HOSPITAL

New Mexico Hospital Association

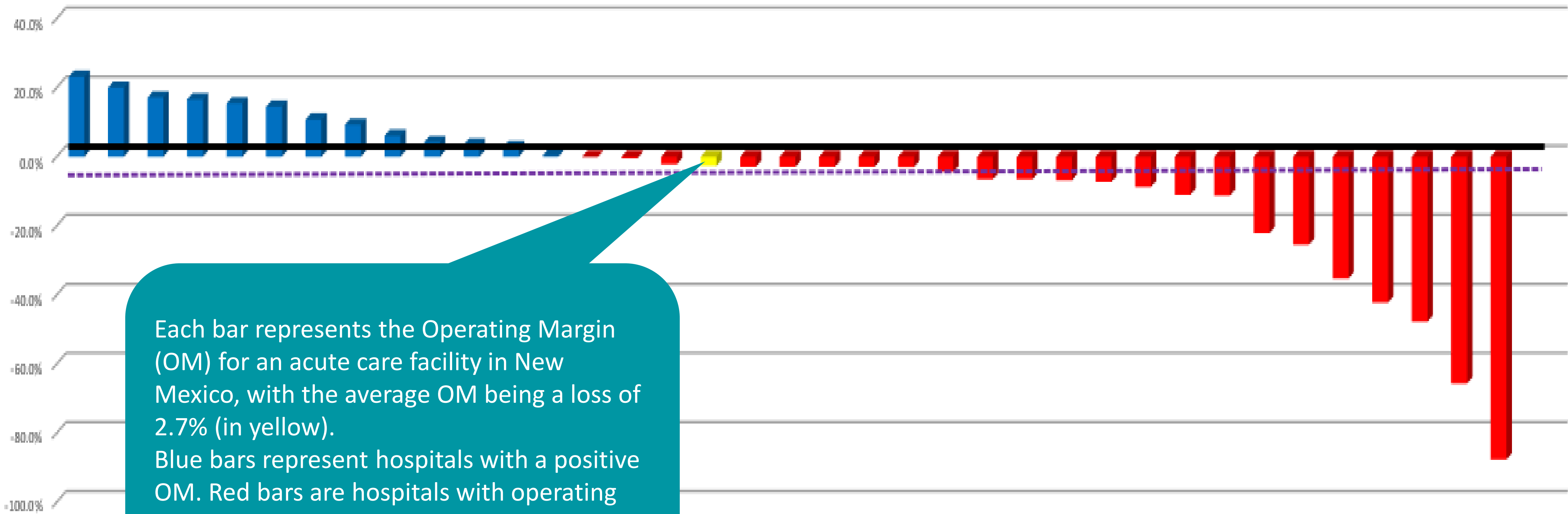


Membership comprised of **47** rural, urban, academic, and specialty hospitals.

We work with others to advance public policy solutions to create a healthier New Mexico by ensuring access to quality care.

One Year Ago…

Financial Stress on Hospitals



HDAA Program Overview

HDAA Background

Opportunity

- CMS policy changes – average commercial rate & provider taxes
- Opportunity to access more federal funds for hospitals through Medicaid MCO state-directed payment program – more states adopting these programs

Legislative Outcome

- Bipartisan support, only one vote in opposition; no amendments

Program Features

- Each hospital (acute and post-acute) pays an **assessment** to the state; the collected **funds are pooled** and sent to CMS to be **matched** at the state Medicaid program match rate
- UNMH, state-owned specialty hospitals, VA, and IHS hospitals excluded
- Distributed 60% based on Medicaid patient volumes and 40% tied to quality performance (replaces SNCP, HAP, HVBP)
- 75% of net new funds must stay in NM
- Assessment ***cannot*** be directly passed on to patients or insurers

HDAA Hospital Responsibilities

Assessments

- Pay quarterly and annual (for quality portion) assessments (provider taxes) by due dates

Quality Performance

- Report on various clinical quality measures

Annual Reporting

- To demonstrate that 75% of the net new funds remained in the state and were used for eligible purposes

Modeling & Funding*

*subject to CMS approval

How the Provider Tax Works

Limitations

- CMS caps provider taxes at aggregated 6% of net patient revenue for all participants

Calculations

- Assessment amounts are calculated based on cost reports ending in the previous state fiscal year.
- Calculations are made based on
  - Inpatient days excluding Medicare, and
  - Outpatient net patient revenue excluding Medicare
- Rural and special (post-acute) hospitals given 50% discount

Assessment Payments

- Hospitals make five tax payments
  - 15% quarterly (60% total) for the Access Assessment, and
  - 40% for the annual Quality Assessment
  - For CY24, Access Assessment is 30% and annual Quality Assessment is 20% (half year)

How the Funds are Used

Uses at 60% Base Rate 40% Qu	Urban	Rural	Total
Admin - HSD			$ 16,468,920
Admin - Premium Tax			$ 111,165,210
Admin - Underwriting			$ 37,055,070
Base Rate	$ 549,619,037	$ 332,122,006	$ 881,741,043
Quality Incentive	$ 366,412,691	$ 221,414,670	$ 587,827,362
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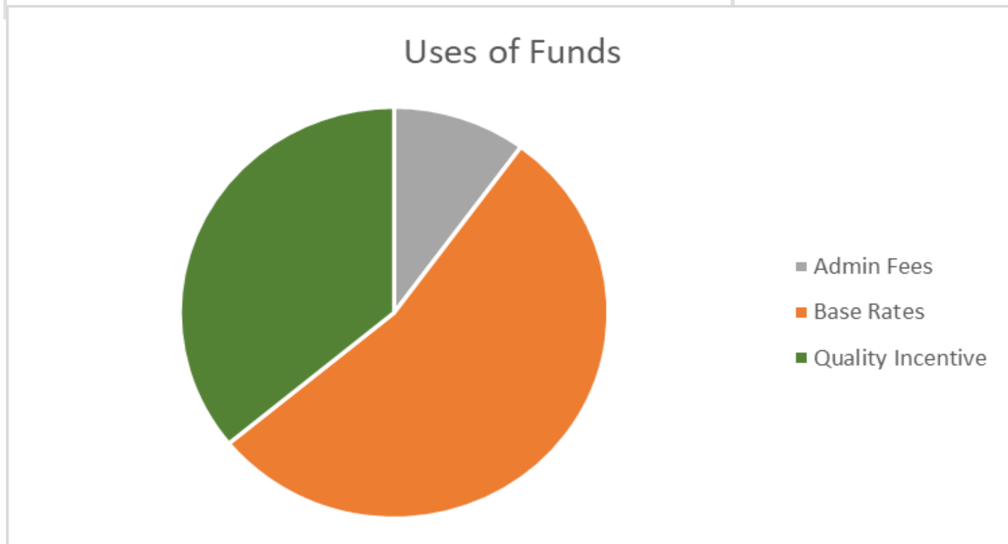
10%



~~$1,469,568,405~~ $1,500,000,000

Estimated Total Distribution Pool

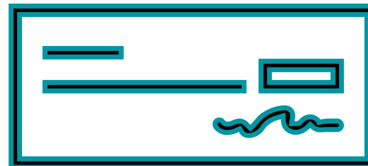
ALL AMOUNTS ARE PROJECTIONS BASED OFF OF 2022 COST REPORT INFORMATION AND ARE SUBJECT TO CHANGES IN ACTUAL VALUES

How Funds are Distributed & Earned

Distribution Payments

- 60% based on quarterly Medicaid volumes (“access payment”), and
- Up to 40% (+) based on quality program performance (“quality incentive payments”)

- 15% quarterly (60% total) for the Access Payment, and
- One 40% (+residual based on class performance) for the annual Quality incentive payment (paid in May of the following calendar year)
- For CY24, Access payment is 30% and annual Quality incentive payment is up to 20% (half year)



Quality Incentive Payment Program

Schedule of Quality Incentive Payout At-Risk for Acute Hospitals:

- July 1, 2024 – December 31, 2025: Full payment (100%) based on data submission (to fully maximize the benefit of the program)
- January 1, 2026, forward: Full payment (100%) based on performance against quality measures (to continue the HAP at-risk schedule)

Schedule of Quality Incentive Payout At-Risk for Specialty Hospitals:

- July 1, 2024 – December 31, **2026**: Full payment (100%) based on data submission
- January 1, 2027, forward: Full payment (100%) based on performance against quality measures

Unique Design for New Mexico

Responding to NM's Unique Needs

Built-in Support for Rural Hospitals

- 50% discount for the provider tax; full payout in the distribution
- Urban hospitals paying larger proportion of the provider tax and rural hospitals receive full access payment
- Rural hospitals:
    - Pay 19% of the tax assessment, and
    - Receive 40% of the distribution benefit

Quality Portion is Large & At-Risk

- 40% - fully at risk after ramp up

Restriction on use of Funds

Use of Funds Restriction

Hospitals will be required to evidence to HCA upon request no more frequently than annually, that **at least 75%** of the net funds the hospital receives are used in New Mexico for costs related to but not limited to:

- Operational costs
- Recruitment
- Retention
- Staff wage increases
- Provider compensation
- On call physician coverage
- Preceptor incentives
- Service expansion
- New services
- Community benefit
- Uncompensated care
- Capital

Status Update

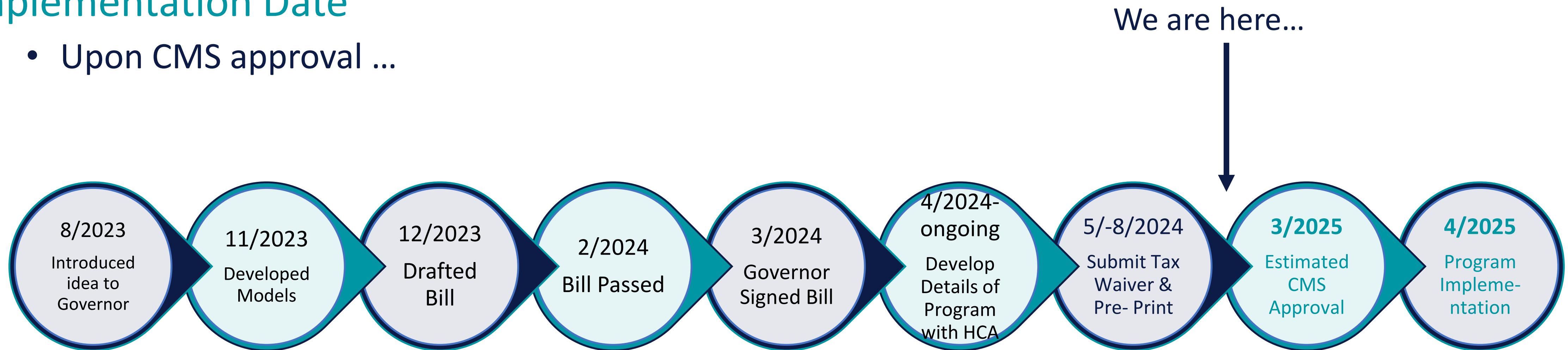
Implementation Progress

Effective Date

- July 1, 2024

Implementation Date

- Upon CMS approval …



All CMS Applications Submitted

Tax Waiver Request

- Submitted to CMS on May 23
- Received several sets of questions

CMS Pre-Print

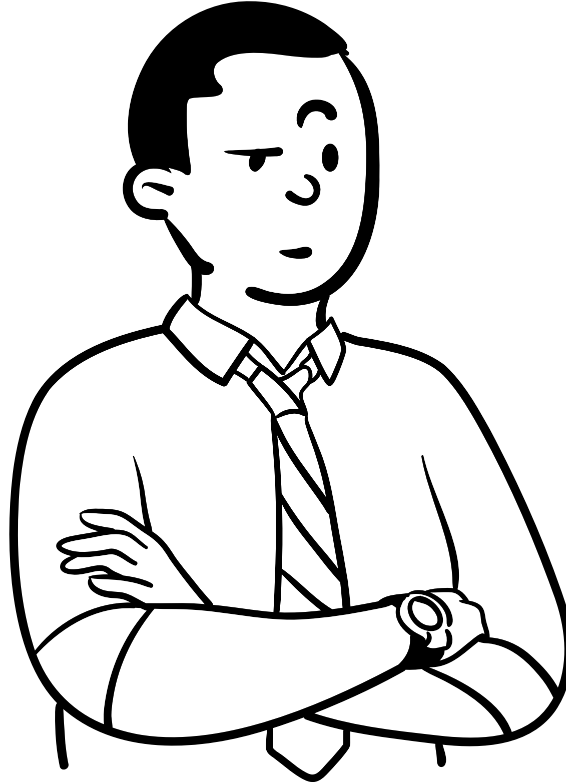
- Submitted to CMS on August 5
- CMS has 90 days to submit questions or make final determination
- Have not yet received questions

CMS approval for both elements required

Next Steps

- Wait on CMS approval; continue to respond to inquiries
- Finalize work on Quality programs
- Develop 75% reporting requirements and forms
- Statute has a sunset clause of July 1, 2030
  - Key issues to legislators for re-approval
    - Financial viability of rural hospitals
    - Funds are invested in NM/not sent to corporate owners out-of-state
    - Assessment is not passed on to patients/insurers
    - Increase access to care
    - Lowers cost of commercial premiums

Questions?



Thank you!

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