HEALTH CARE AUTHORITY

Michelle Lujan Grisham, Governor
Kari Armijo, Secretary
Alanna Dancis, Acting Medicaid Director

Letter of Direction #29-4

Date: **July 16, 2026**

To: **Turquoise Care Managed Care Organizations**

From: **Alanna Dancis, Acting Director, Medical Assistance Division**

Subject: **Fifty Percent (50%) Nursing Facility (NF) Rebase and Health Care Quality Surcharge (HCQS) Per Diem and Market Basket Index (MBI) Increase for State Fiscal Year (SFY) 2027. Repeal and Replace Turquoise Care LOD# 29-3**

Title: **SFY 2027 Fifty Percent (50%) NF Rebase and HCQS-VBP Per Diem and MBI Increase**

The purpose of this Letter of Direction (LOD) is to provide instructions to the Turquoise Care (TC) Managed Care Organizations (MCOs) for implementing the HCQS Per Diem and Market Basket Index (MBI) increase for SFY 27 (July 1, 2026, through June 30, 2027) as required by New Mexico statute, §7-41-4 and §7-41-6 NMSA 1978, originally enacted under Senate Bill 246 of the 2019 legislative session. **In addition, the per diem surcharge, inflation factor, and NF 50% rebase increases are included in the MCOs SFY27 capitation for Nursing Facilities for MCO negotiated rates for Revenue Codes 0190, 0199, and 0191-0194**. This Letter of Direction (LOD) is intended to repeal and replace LOD #29-3 issued by the HCA/MAD on June 25, 2026. The following updates are included in this revised LOD:

- Updated SFY27 HCQS uniform per diem rate for Class 2 and Class 3 Nursing Facilities
- New SFY27 50% Rebase Uniform Percentage of 7.80% for Revenue Codes 0191-0194 and Revenue Codes 0190 & 0199 (Low and High NF) negotiated base rate increases
- Updated SFY27 HCQS Market Basket Increase to 3.9%
- Updated SFY27 Rate Calculation and Leave of Absence Rate Calculation examples
- SFY27 HCQS-VBP Quality Payment Timeframes
- Addition of Revenue Code 0191-0194 Section
- Removal of Underwriting Gain language from HCQS-VBP Operational and Reporting Requirements

Background

In accordance with SB246 statutory requirements, the Per Diem and HCQS MBI will be adjusted on July 1st of each year. The purpose of the surcharge is to increase each Nursing Facility's Medicaid reimbursement rates by at least the rate of inflation and to provide additional quality payments to NF's based on performance data and CMS approval. Increases shall be applied to New Mexico NFs and do not apply to out-of-state facilities. Out-of-state facilities are not subject

to the surcharge; therefore, out-of-state facilities are not eligible to receive rate increases or quality payments under the HCQS-VBP program.

There are three NF classes created under the statute:

- Class 1–A Healthcare Facility with less than 60 beds.
- Class 2– A Healthcare Facility with 60 or more beds and less than 90,000 annual Medicaid bed days
- Class 3 –A Healthcare Facility with 60 or more beds and 90,000 or more annual Medicaid bed days.

The quarterly HCQS surcharge is calculated based on the facility HCQS data collection form reported to HCA/MAD by the NFs. HCA/MAD reconciles and reviews the quarterly NF HCQS Data Collection Forms (DCF) identifying the number of **non-Medicare days**. These amounts are reported on the Tax and Revenue Department (TRD) HCQS data file with a surcharge add-on amount for NFs with more than 60 beds. The TRD HCQS Data File informs TRD of the collection amounts for each NF. HCA/MAD transmits the TRD HCQS Data File to TRD. TRD then generates an automatic email prompting the NF to verify the data and pay the quarterly HCQS surcharge through the TRD Taxpayer Access Point (TAP) portal.

Nursing Facility 50% Rebase and HCQS Per Diem MBI increases effective July 1, 2026
Effective July 1, 2026, the MCOs are directed to implement Medicaid rate increases to NFs into categories as follows:

1. SFY27 NF 50% Rebase for MCO Negotiated Rate Increases. During the 2026 Legislative Session, NFs were appropriated funds for a SFY27 50% rebase of rates; including but not limited to Revenue Codes 0190 & 0199 (LNF & HNF) and Revenue Codes 0191-0194. The rebase uniform percentage increase inflation factor is 7.80% (0.0780), which is inflated for each facility negotiated NF rates. **This amount is calculated before the HCQS per diem increase add-on cited below.** Like HB 2 2023, this 50% base rate increase is a permanent increase to the NF negotiated base rates.

2. Revised Uniform Per Diem Rate Increases based on the class of facility**;** this amount is not subtracted from prior SFYs per diem rate, this amount **replaces** the prior SFY26 Class 2 amount of $26.75 and Class 3 amount of. $9.36.
   - Class 1 - Exempt from surcharge: **No per diem rate increase**.
   - Class 2 - **SFY27 $29.14**/Medicaid bed day
   - Class 3 - **SFY27 $10.20**/Medicaid bed day

3. SFY27 Market Basket Increase (MBI) of 3.9% (0.039) is inflated for each facility. **This amount is calculated before the per diem increase add-on cited above and after the SFY27 50% rebase inflation percentage**. This amount shall be in addition to the MBI's added from January 1, 2020, through SFY26. MCOs are directed to review historical MBI increases provided in *TC HCQS Per Diem and MBI Increase for SFY 2025 LOD #29-1.* **The operational formulas associated with the SFY27 50% rebase**

and HCQS MBI increases for Revenue Codes 0190 & 0199 (LNF & HNF) and Revenue Codes 0191-0194 are as follows:

July 2025 through June 2026 NF Rate * (1+ 0.0780) = New SFY27 NF rates

New SFY27 NF rates * (1+0.039) + Uniform per diem
=
July 2026 through June 2027 Nursing Facility Rates

SFY27 Rate Calculation Example: Follow the steps below

Step 1	$	252.85	Current Rate (Rev Code 0190, 0199, 0191-0194) 6.30.2026
Step 2		1.078	SFY27 50% Rebase (HB2 2026)
Step 3	$	272.57	NF Base rate effective 7.1.26
Step 4		1.039	Inflate SFY27 HCQS MBI inflation
Step 5	$	283.20	Rate after HCQS effective 7.1.26
			GRT applied before surcharge
Step 6	$	29.14	SFY 27 HCQS Surcharge/day
FINAL	**$**	**312.34**	**SFY 27 Total Reimbursement Paid per Day**
	$	29.14	SFY27 HCQS Surcharge/Day
	$	283.20	Reimbursement per day excluding surcharge

The HCQS Add on Surcharge is not applied to Leave of Absence (LOA) Bed Hold Days.

SFY27 LOA Rate Calculation Example: Follow the steps below

Step 1	$	252.85	Current Rate (Rev Code 0190, 0199, 0191-0194) 6.30.2026
Step 2		1.078	SFY27 50% Rebase (HB2 2026)
Step 3	$	272.57	NF Base rate effective 7.1.26
Step 4		1.039	Inflate SFY27 HCQS MBI inflation
Step 5	$	283.20	Rate after HCQS effective 7.1.26
			GRT applied before surcharge
Step 6	$	29.14	SFY 27 HCQS Surcharge/day
Step 7	**$**	**312.34**	**SFY 27 Total Reimbursement Paid per Day**
Step 8	$	(29.14)	LOA: remove SFY27 HCQS Surcharge/Day
Step 9	$	283.20	SFY 27 Total Reimbursement Paid per Day; excluding Add-on
Step 10		*.50	50% of current NF rate
FINAL	**$**	**141.60**	**SFY 27 LOA Total Reimbursement Paid per Day**

Please note that the surcharge is assessed on **all non-Medicare bed days**, including hospice; therefore, the rate increases cited above should also be applied to Medicaid hospice bed days. The NFs may need to negotiate reimbursement changes with their contracted hospice agencies accordingly.

Gross Receipts Tax (GRT)
Per NM TRD, Tax Information and Policy Office, the determination whether a transaction is subject to gross receipts tax is first based on whether the money or other consideration is the result of a transaction found within the definition of "gross receipts" under Gross Receipts and Compensating Tax Act Section 7-9-3.5. The amount of the HCQS surcharge does not derive from any of these transactions within the definition and would, therefore, not be included in gross receipts for the purposes of gross receipts tax. Under Section 7-41-4 NMSA 1978, the HCQS surcharge is calculated based on each **non-Medicare bed day** and is not based on a sale of services. The Health Care Quality Surcharge is calculated separately from any determination of gross receipts tax. GRT should not be added to the HCQS surcharge amount.

Revenue Codes 0191-0194
The HCQS per diem (surcharge), MBI increase, and SFY27 NF 50% rebase applies to **all non-Medicare** bed days, which includes the skilled Medicaid Nursing Facility rates (Revenue Codes 0191, 0192, 0193, and 0194). MCOs are expected to apply the HCQS surcharge, MBI increase, and SFY27 50% rebase to the negotiated SNF/NF rates billed under Revenue Codes 0191–0194. **The increases to Revenue Codes 0191-0194 are included in the MCOs SFY27 capitation rates effective July 1, 2026.**

Within **30 calendar days** of issuance of this LOD, the MCOs are directed to increase Revenue Codes 0191-0194 and Revenue Codes 0191 & 0199 (Low and High NF) negotiated base rates by the rebase uniform percentage, per diem rates by the uniform percentage HCQS MBI factor and the uniform per diem add-on for utilization for both short-term and long-term bed days incurred by Medicaid members effective July 1, 2026. HCA/MAD directs the MCOs to provide weekly updates, via email, to HCA/MAD on the status of rate increases every Friday by 5 pm until further directed by HCA/MAD. HCA/MAD will not provide the MCOs with a prescribed and preformatted template for this reporting requirement. MCOs can use their preferred format so long as the report includes sufficient detail to satisfy the reporting requirement.

Inclusion of the SFY27 50% NF Rebase and HCQS Program in MCO Capitation Rates
To support the SFY27 50% NF Rebase, HCQS Per Diem and MBI increase, HCA/MAD will increase the capitated rates for impacted cohorts in Physical Health (PH), Long-Term Services and Supports (LTSS), and Other Adult Group (OAG) programs. The payment will be calculated based on the program allocation and the distribution of affected members. The MCOs will receive the increased capitation for these cohorts related to the 50% rebase and per diem rate increases effective July 1, 2026, as part of the CY2026 Rates effective July 2026-December 2026.

Quality Metrics and Payment Distribution Schedule
The quality payments for the HCQS-VBP program will be based on the nine (9) long-term stay quality metrics below. The data for these metrics will be collected by the HCA/MAD selected data intermediary.

1. Long Stay Prevalence of Pressure Ulcers
2. Long Stay Falls with Major Injury
3. Long Stay Weight Loss
4. Long Stay Worsened ADL

5. Long Stay Hospitalization
6. Infection Control Program Structural Measure*
7. Patient Experience Structural Measure*
8. Behavioral Health Care Coordination Structural Measure*
9. CMS Nursing Home Five-Star Quality Rating System – Health Inspection Score

*For structural measures, Facilities will attest each quarter to whether specific, auditable performance requirements have been met or not met.

The quality payment does not affect a facility's per diem or MBI rate increase. SFY27 Quality payments are made on separate payment terms and payments will not be made until CMS approves the SFY27 HCQS-VBP State Directed Payment.

All quality payments for SFY27 will be made based on CMS approval following the distribution schedule below:

Quality Period	MCO Payments to NFs
July 1, 2026 – September 30, 2026 *	January 30, 2027
October 1, 2026 – December 31, 2026*	April 30, 2027
January 1, 2027 – March 31, 2027*	July 30, 2027
April 1, 20267– June 30, 2027*	October 30, 2027

**Payment dates may change based on CMS approval of SFY27 (CY26 July-December) HCQS-VBP Directed Payment. Payments will be made retroactively if CMS approval occurs after payment date.*

Data Intermediary
The HCQS-VBP State Directed Payment requires the use of an HCA/MAD selected data intermediary for calculating and measuring the quality data of participating NFs. The MCOs entered into an agreement with the data intermediary for this program. HCA/MAD has incorporated the cost of the data intermediary into the SFY27 capitation amounts for each MCO. As part of the agreement, the data intermediary will share NF performance data with the NFs, MCOs, and HCA/MAD.

HCQS-VBP 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 quarterly payments will include gross-up amounts to account for premium and surtax taxes.
    - HCA/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 MCO's Medical Loss Ratio 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 NFs 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 NFs by providing support to Medicaid beneficiaries to improve quality of care outcomes.
- Amounts paid by the MCO to NFs 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 MCO contract (Retroactive Period and Patient Liability) will not include the directed payment revenue or expense.

Attachment:
1. Healthcare Facility Classifications – July 1, 2026

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 BHSD Billing and Systems Manual. The LOD may also sunset upon HCA notification or completion of the Turquoise Care Program.

LOD 29-4 - ATTACHMENT 1 –
HEALTHCARE FACILITY CLASSIFICATIONS JULY 1, 2026

Provider ID	Provider Name	Provider NPI	FEIN	DOH License	Beds	Class
82551839	ADVANCED HEALTH CARE OF ALBUQUERQUE	1629244124	260886501	1078	47	Class 1
21301221	ALBUQUERQUE HEIGHTS HEALTHCARE AND REHAB CENTER	1629260781	260675040	1069	134	Class 2
95074759	ARTESIA HEALTHCARE AND REHABILITATION CENTER	1770113722	843356492	4115	65	Class 2
82955085	AZTEC HEALTHCARE	1003471541	834668531	4093	112	Class 2
37900226	BEAR CANYON REHABILITATION CENTER	1902098072	208386337	1066	178	Class 2
53508319	BELEN MEADOWS HEALTHCARE AND REHAB CENTER	1528250685	260675094	1071	120	Class 2
37134302	BLOOMFIELD NURSING AND REHAB	1134607690	364905637	4054	95	Class 2
82555320	CABEZON NURSING AND REHAB CENTER (THE SUITES RIO VISTA)	1295238418	824778648	4046	136	Class 2
10207830	CALIBRE POST ACUTE	1972133924	843340121	4118	120	Class 2
33759014	CANYON TRANSITIONAL REHAB CENTER LLC	1326230483	260675157	1070	74	Class 2
54839050	CASA ARENA	1104530039	921179849	7203	117	Class 2
59602295	CASA DE ORO CENTER	1295780146	200068615	1031	158	Class 2
72952032	CASA DEL SOL CENTER	1164476008	710950059	1032	62	Class 2
35981261	CASA MARIA HEALTHCARE	1174237002	921283534	7189	118	Class 2
20326327	CASA REAL	1629556188	384089170	4053	118	Class 2
51671808	CLAYTON NURSING AND REHAB	1730668880	371905331	4052	45	Class 1
47952563	CLOVIS HEALTHCARE AND REHABILIATION CTR LLC	1225220387	260675210	1073	90	Class 2
08925879	COLFAX GENERAL LTC	1073749487	264644021	5041	33	Class 1
64704297	DESERT SPRINGS HEALTHCARE	1366007809	834668049	4091	80	Class 2
22757279	DIAMOND CARE SANTA FE LLC	1093280281	832043051	4068	120	Class 2
79408231	LA VIDA BUENA HEALTHCARE	1891482683	923420483	7219	102	Class 2
78557526	FARMINGTON OPERATIONS CEDAR RIDGE INN	1710683446	922101617	7191	101	Class 2
76808700	FIESTA PARK WELLNESS & REHABILITATION	1518600949	881602183	7132	105	Class 2
51972786	FORT BAYARD MEDICAL CENTER	1982730669	856000565	5011	200	Class 2
000I0563	GOOD SAMAROTAN SOCIETY SOCORRO (UNDERGOING CHOW)	1164413688	450228055	5108	61	Class 2
N0012536	BETTY DARE WELLNESS AND REHABILITATION	1740016682	994723349	7307	90	Class 2
000I0621	GOOD SAMARITAN SOCIETY LAS CRUCES (UNDERGOING CHOW)	1730179565	450228055	5116	94	Class 2
000I0449	GOOD SAMARITAN SOCIETY-MANZANO DEL (UNDERGOING CHOW)	1427030436	450228055	5081	117	Class 2
000I0316	GRANTS GOOD SAMARITAN CTR (UNDERGOING CHOW)	1447241005	450228055	5052	80	Class 2
93974353	CORNADO CARE CENTE	1225754955	884009640	7182	80	Class 2
000I0100	LA VIDA LLENA LIFECARE	1972500957	850282570	5061	58	Class 1
09280740	LADERA CARE AND REHABILITATION CENTER	1932153855	850484183	1037	120	Class 2
N0004236	LAS CRUCES WELLNESS AND REHABILITATION	1487411328	991731150	7271	75	Class 2
61158569	LAS ESTANCIAS BY PURE HEALTH	1700523750	882015599	7150	120	Class 2
93303254	LAS PALOMAS CENTER	1780639617	850484183	1037	120	Class 2
000I1275	LIFE CARE CENTER OF FARMINGTON	1760422596	621630069	5157	144	Class 2
40480895	LOVINGTON HEALTHCARE	1700441243	834668447	4090	62	Class 2
18920217	GALLUP NURSING AND REHABILITATION	1306520432	931790781	7223	62	Class 2
67601081	MESCALERO CARE CENTER (TRIBAL 638 NF)	1609816206	680542483	2026	40	Class 1
000I0472	MINERS COLFAX MEDICAL CENTER	1871630665	850323546	5083	37	Class 1
000I1286	MIMBRES MEMORIAL NURSING HOME (Luna)	1073584579	850438008	5158	66	Class 2
000I0480	NEW MEXICO STATE VETERANS HOME	1942287370	856000565	5087	131	Class 2
000I0381	NORTHGATE UNIT OF LAKEVIEW	1487644464	850160614	5088	112	Class 2

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Provider ID	Provider Name	Provider NPI	FEIN	DOH License	Beds	Class
12830887	ODELIA HEALTHCARE	1811552359	834664407	4089	119	Class 2
N0002939	PRINCETON HEALTH AND REHABILITATION	1578344818	933650109	7257	369	Class 2
76081702	RED ROCKS CARE CENTER	1356820419	364906274	4055	102	Class 2
80507816	REHABILITATION CENTER OF ALBQ LLC	1699967760	260675426	1068	120	Class 2
000I0514	RETIREMENT RANCHES INC	1528059011	850159406	5092	104	Class 2
48279315	RIO RANCHO CENTER	1659325504	850484183	1041	120	Class 2
77280296	SAN JUAN CARE CENTER	1124702246	931770555	7227	93	Class 2
99852225	SANDIA RIDGE CENTER LLC	1447442512	208386810	1065	136	Class 2
42221374	PALOMA SPRINGS HEALTHCARE	1225742315	921481746	7200	94	Class 2
85704709	SILVER CITY CARE CENTER	1992284053	301116161	4056	100	Class 2
69930325	SKIES HEALTHCARE AND REHAB CTR LLC	1932391745	260675263	1067	120	Class 2
89474228	LOS ALAMOS WELLNESS & REHABILITATION	1528772621	921548894	7233	64	Class 2
75120232	SOUTH VALLEY CARE CENTER LLC	1124059084	204998095	1053	58	Class 1
N0064854	SPANISH TRAILS WELLNESS & REHABILITATION	1073485314	394224823	7381	134	Class 2
65708270	ST ANTHONY HLTHCARE & REHAB CTR LLC	1720270887	260675327	1072	70	Class 2
000I0126	STATE OF NM BEHAVIORAL HEALTH INSTITUTE	1992867998	850390576	5067	162	Class 2
73908363	SUNSET VILLA HEALTHCARE	1598479420	921083087	7190	52	Class1
10477098	TAOS HEALTHCARE	1306517362	872572425	7102	100	Class 2
81080557	THE NEIGHBORHOOD IN RIO RANCHO	1609231448	471462853	4005	48	Class 1
N0054464	NORTHRISE WELLNESS & REHABILITATION	1942170089	412298901	7378	31	Class 1
63083523	UPTOWN REHABILITATION CENTER	1700078870	260675370	1064	134	Class 2
19708394	WHITE SANDS HEALTHCARE	1265097703	834664537	4092	118	Class 2
N0041298	SPRING RIVER (MISSION ARCH CARE/REHABILITATION CT)	1245128586	392881565	7382	120	Class 2
N0043443	MANZANO DEL SOL BY PURE HEALTH	1568289171	994275158	7304	117	Class 2
N0023122	LAS CRUCES VILLAGE NURSING & REHAB	1023844966	994753241	7308	94	Class 2
N0025190	GRANTS WELLNESS & REHAB	1568298404	994723437	7306	80	Class 2
N0019557	SOCORRO WELLNESS & REHAB	1467288308	994753084	7310	61	Class 2
N0020585	LUNA REHABILITATION & CARE CENTER	1871399394	994633852	7329	66	Class 2
000I0365	LAGUNA RAINBOW (TRIBAL 638 NF)	1316926041	850287581	5063	58	Class 1