South Carolina Department of Health and Human Services

State Fiscal Year 2006 Annual Report

Mark Sanford
Governor

Robert M. Kerr
Director

"Helping South Carolinians maintain or regain their health and providing opportunities for people to keep their independence and dignity are core functions of a fiscally and socially responsible government. Done well, it will lead to a better quality of life for our citizens while lowering costs to society."

— Mark Sanford, Governor

Our Mission

The mission of the South Carolina Department of Health and Human Services is to manage the Medicaid program to provide the best healthcare value for South Carolinians.

Health and Human Services Administration

Gary Ries, *Deputy Director for Eligibility and Beneficiary Services*

Susan Bowling, *Deputy Director for Medical Services*

William Wells, *Deputy Director for Finance and Administration*

Deirdra Singleton, *General Counsel*

Mark Sanford
Governor

State of South Carolina
Department of Health and Human Services

Robert M. Kerr
Director

On behalf of the employees of the South Carolina Department of Health and Human Services, it is my privilege to present this annual report on the state's Medicaid program. This document is important to the agency not only because it represents the results of our work, but it reflects our commitment to transparency in government. We understand that financial reports are often inadequate in their ability to present a program in its entirety. However, it is our hope that through this effort we provide a small window of clarity into the complexity of the Medicaid program.

All of us at the agency have operated with one goal over the last four years--obtain the most healthcare value for every dollar spent. Our success did not seem likely though, for at the onset of this term the program was in financial crisis. Average annual growth rates were running 11 percent or higher. The agency was operating with almost 20 percent of its general fund budget in non-recurring appropriations. Annual operating deficits exceeded $15 million and cash reserves were depleted.

With the close of 2006, I am pleased to report that the diligent efforts of the Governor, General Assembly, and dedicated agency staff have resulted in remarkable financial stability for the program. Average annual growth rates are significantly lower and remain consistently below national averages. Non-recurring appropriations now make up less than one percent of the budget. Operating deficits have been erased and reserves replenished to a 45-day supply.

What makes this turnaround even more notable is that it occurred without resorting to traditional options of reducing provider rates, eligibility, or benefits. In fact, recipient benefits and provider reimbursement have been enhanced. Even with our success, achieving appreciable improvements in value will remain an ongoing challenge. The program has more than doubled in size during the past decade, growing to cover close to 25 % of the general population. Despite this significant investment, we remain 48th in overall health among the fifty states. To truly improve our return on this valuable investment and make a difference for those we serve, we must continue to emphasize prevention, medical home models, and find ways to improve the efficiency of our current delivery system.

Annual reports like this one are beneficial in that they help us set benchmarks for our performance. And though the impact on beneficiaries is reflected in the myriad of statistics, it is important that we not confuse the beneficiaries with numbers. Behind the numbers are real South Carolinians whose very existence often relies on the services we provide. Thank you for reading.

Sincerely,

Robert M. Kerr
Director

Office of the Director
P.O. Box 8206 • Columbia, South Carolina 29202-8206

Overview

South Carolina's Medicaid program is a vital service for many of the state's vulnerable residents, including the poor, disabled and elderly. Medicaid helped nearly one million South Carolinians—about one-quarter of the state's population—during SFY 2006, most of whom would otherwise not have access to any other health coverage.

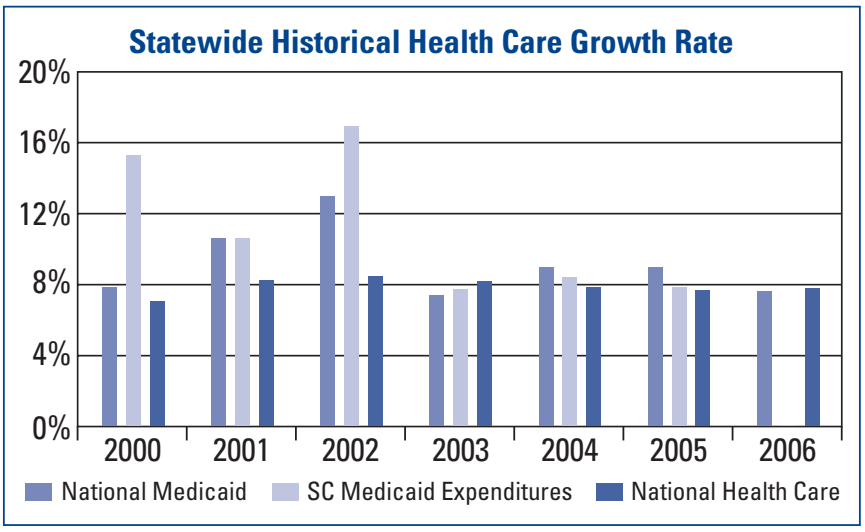
Our goal at the South Carolina Department of Health and Human Services (DHHS) is to provide the best possible Medicaid coverage to beneficiaries while maintaining a strong fiscal discipline that gives taxpayers a high return on their substantial investment in the program. Meeting that goal requires innovative approaches.

Nationwide, Medicaid programs have faced unprecedented growth over the past decade. The overall cost of health care has inflated to levels policymakers never could have anticipated when the program was conceived. South Carolina's Medicaid expenditures have actually doubled over the past decade, now representing nearly $5 billion annually. The original concept of a "safety net" health care program has expanded to the point where Medicaid now pays for the majority of births in South Carolina and supports important segments of the state's economy. The program accounts for roughly one-fifth of the state's total health care spending, from all public and private sources.

South Carolina's Medicaid program has responded well to these changes. Statewide total expenditures for SFY 2006 showed no growth over the prior fiscal year. Medical assistance expenditures under the control of DHHS grew less than one percent. A significant portion of the program's pharmacy costs moved to Medicare Part D, which has affected growth. However, even when adjusted for the transfer of Part D funds, our overall growth still remains no more than three percent. It is important to note that the transfer of drug costs affected only federal expenditures. Related general fund matching expenditures remain unchanged since the state share is rendered to Medicare through "clawback" payments.

By comparison, the national Medicaid growth rate was about 7.5 percent during the same period. The agency is proud of its record of containing costs without reducing services or cutting qualified beneficiaries from the rolls.

Our success, however, cannot be sustained without continued change. We believe it is imperative that South Carolina not shy away from future challenges, but instead embrace opportunities to develop a stronger, more modern Medicaid program. Many of our current and future initiatives are highlighted in various sections of this Annual Report.



Source: CMS

The Year in Review

Many important changes occurred in South Carolina's Medicaid program in SFY 2006. The following represents a summary of the more notable DHHS activities over the past year:

Healthy Connections Medicaid Transformation Plan

DHHS moved ahead with several tenets of its comprehensive Medicaid reform plan in SFY 2006, including offering enrollment choices to Medicaid recipients in several South Carolina counties. The agency also detailed its reform efforts in a planning document sent to the federal Centers for Medicare and Medicaid Services (CMS), which oversees Medicaid.

Healthy Connections has attracted national attention as a bold, comprehensive road map to enhance the state's return on its Medicaid investment. Further details of the plan are highlighted in various sections of this report and can be found at www.scdhhs.gov. *Healthy Connections* replaces the previous waiver submitted by DHHS. With the greater flexibility afforded to states as a result of the federal Deficit Reduction Act, DHHS believes an omnibus federal waiver is no longer required to implement many of the changes at the core of *Healthy Connections*.

Deficit Reduction Act

Congress approved the federal Deficit Reduction Act (DRA) of 2005 that allowed the states more flexibility in administering their Medicaid programs. The DRA codified many of the same initiatives DHHS had sought to implement through a waiver with CMS, including offering more coverage choices to beneficiaries. The DRA also placed new requirements on beneficiaries, including enhanced long term care asset restrictions and verification of citizenship and identity.

Citizenship has always been a requirement of the South Carolina Medicaid program. Pursuant to the DRA, DHHS began verifying the citizenship or nationality and identity of all Medicaid recipients beginning July 1, 2006. The agency partnered with the Department of Health and Environmental Control to develop an interface with their birth certificate records system to facilitate the citizenship verification process. The first of its kind interface is greatly reducing the bureaucracy otherwise needed to verify information, benefiting both the agency and the Medicaid recipients.

Rural Hospital Grants

In an effort to support and promote the delivery of health care services to rural areas of South Carolina, DHHS awarded $3 million in grants to 12 public hospitals. The grants were to be used to support one or more of the following: medical homes, clinics, after hours programs, and programs that divert primary care cases from emergency departments; expand health services to include physician recruitment and retention activities; support training programs for health personnel; support hospital efforts to assure compliance with state and federal regulations; and to expand the use of electronic medical records for hospitals and physicians.

Prevention Partnership Grants

DHHS awarded $1 million in competitive grants to seven grassroots prevention programs that target major health deficiencies in South Carolina, including infant mortality and childhood obesity. Last year, South Carolina residents ranked 48th nationally in terms of the overall health. We believe efforts like *Prevention Partnership* are key to ensuring more of our residents enjoy long and healthy lives.

Enhanced Cancer Screenings

Colorectal cancer screenings were expanded to all Medicaid recipients age 50 to 64, and high-risk individuals age 40 to 64. This policy change means more than 50,000 South Carolinians on Medicaid are newly eligible for screenings. Colorectal cancer accounts for about 12 percent of all cancer cases diagnosed in South Carolina each year. About 900 residents a year die from the disease, making it the second deadliest cancer in the state behind lung cancer.

Chronic Kidney Disease Enhanced Provider Education

DHHS, in partnership with the National Kidney Foundation, launched its Chronic Kidney Disease awareness campaign in Kershaw, Lexington and Richland counties. The program is designed to inform physicians and the public about kidney disease, which affects about one in eight people in South Carolina. Kidney disease costs the South Carolina Medicaid program an estimated $40 million a year.

Eligibility Reform

The agency continued statewide audits of eligibility workers' case files to verify accuracy and identify potential fraud, abuse, or errors. DHHS also expanded the category of recipients subject to resource testing, which includes limits on bank accounts, stocks and equity in vehicles. The aim is to stop wealthy individuals who exploited loopholes in the eligibility system to receive benefits they could otherwise afford.

Environmental Modifications

DHHS' Community Long Term Care program partnered with the State Housing Authority in 2005 to provide home modifications for seniors, such as ramps, heaters and air conditioner units, and door widenings. This partnership continued in SFY 2006, and the program has been recognized by CMS as a national model. To date, more than 1,000 referrals for modifications have been made through the program.

Decision Support System

The Department procured a high-tech "decision support system" provided by Thomson Medstat to maintain program integrity and operate more efficiently. The technology will allow us to use actual claims data to develop policies and procedures that promote best practices and are consistent with industry standards. Additionally, the surveillance system will enhance fraud and abuse detection and has the potential to save taxpayers millions of dollars a year.

Coordinated Care

One of the DHHS' major initiatives is to develop coordinated care models for Medicaid beneficiaries throughout South Carolina. The goal is to improve quality of care for recipients through the establishment of medical homes. By allowing beneficiaries to choose a care plan, the agency hopes to encourage plan innovation and actively engage recipients in health care decisions. There are two coordinated care models now operating in South Carolina: Managed Care Organizations (MCOs), Health Maintenance Organizations (HMOs) and Medical Home Networks (MHNs). In 2005, 13 counties had no managed care options, and 27 had only one plan. Today, all but two counties offer at least one plan, with more than half offering three or more options including both HMOs and MHNs. This expansion creates new opportunities to meet the health care needs of South Carolinians while allowing the agency to better monitor quality and manage future growth.

Opportunities in the Upcoming Year

DHHS believes maintaining a strong Medicaid program will depend on the agency's ability to adapt to change. Health care in the United States continues to evolve at a rapid pace, so we must work to find innovative ways to provide a value-centered Medicaid program that serves both recipients and taxpayers. In that spirit, here are several future initiatives that will help add value to South Carolina Medicaid:

Enrollment Counseling Services

Medicaid is in the process of procuring the services of enrollment counselors to assist with the expansion of the coordinated care auto-enrollment pilot launched in May 2006. These counselors will be a key component of the Medicaid transformation detailed in the *Healthy Connections* plan.

DHHS' contact with many beneficiaries is currently limited to the annual eligibility determination. Beneficiaries are on their own to find providers and manage their health care needs. The addition of enrollment counselors will provide beneficiaries a guide to help navigate various health care choices.

As a first step, the enrollment counselor will conduct a health assessment to help match beneficiaries with a plan that best suits their individual health needs. The enrollment broker will maintain detailed ratings on the various plans to help ensure a good match. Counselors also will update beneficiaries on plan changes and serve as intermediaries if problems arise. Beneficiaries will be given time to select a plan, but they will be automatically enrolled in a coordinated care plan if they do not choose.

Electronic Personal Health Record

DHHS has developed an exciting new strategy to contain the rising cost of health care, while at the same time enhancing the quality, efficiency, and safety of patient care. The Electronic Personal Health Record (EPHR) system now being piloted provides treating physicians with as much information as possible about the patient's history of care.

For the first time, physicians will access the patient's full claims record for the past twelve months, including every service the patient has received, regardless of provider or setting. Anticipated benefits of this project are better patient management, reduced duplication of services, improved patient safety and reduced inpatient hospitalizations and emergency room visits. The evaluation of the pilot is currently underway. The agency plans to expand the availability of this valuable tool statewide to primary care physicians as well as in hospital emergency rooms in 2007.

Money Follows the Person Grant

DHHS is one of 17 states recently awarded a federal grant to participate in Money Follows the Person (MFP) Rebalancing Demonstration. The $5.8 million MFP grant will be used to rebalance a portion of the state's long term care by allowing some residents of nursing facilities to return to home and community settings. DHHS intends to build on recent efforts through its successful nursing home transition grant to transfer about 200 beneficiaries from nursing facilities within five years. An advisory committee of advocates, providers and others are working to establish guidelines for the program, which should begin transitioning people in 2007.

PRTF Demonstration Project

The Deficit Reduction Act offered grants for states to design community-based alternative to placement of children residing in Psychiatric Residential Treatment Facilities (PRTFs). South Carolina has been chosen as one of ten states to receive funding for the project, which focuses on early identification and home and community-based treatment of emotionally disturbed children. The demonstration projects will begin in 2007 and last for five years.

Home Health Telemonitoring Services

The agency is seeking funding to implement an in-home telemonitoring service for high-risk recipients. Vital health information, such as blood sugar counts, will be transmitted via telephone lines from patients directly to physicians. This technology will enable individuals to maintain their independence without the need for expensive equipment.

Initially, the program will focus on management of diseases common to home health recipients, including congestive heart failure, diabetes, chronic obstructive pulmonary disease, and hypertension. The program will increase access to care and potentially decrease cost by ensuring these recipients receive care and avoid unnecessary emergency room visits and/or inpatient admissions.

Pervasive Developmental Disorders Waiver

CMS recently approved a waiver to allow children between the ages of 3 to 10 who have been diagnosed with a pervasive development disorder, such as autism and Asperger's Disorder, to receive intensive in-home therapeutic treatment. One of the most effective treatments for autism appears to be applied behavior analysis. This is a nationally recognized model of treatment that focuses on positively reinforcing and shaping selected target behaviors by breaking down a desired behavior into smaller teachable parts. The Department of Disabilities and Special Needs will be responsible for the day-to-day operations of the pilot. The General Assembly allocated $3 million for the program, which should allow the treatment of about 150 children.

Diabetes Education Pilot Project

South Carolina ranks fifth in the nation for the number of citizens suffering with diabetes, with approximately 300,000 of our residents affected by the disease. Independent pharmacists often provide education opportunities within their business, allowing customers who have approval from their physician to learn better self care while they are picking up their prescriptions. Our pilot will utilize Certified Diabetes Educators to instruct beneficiaries at selected pharmacies throughout the several counties. The pharmacy will coordinate delivery of diabetes management by providing a consultation area, assisting in the education of medications, durable medical equipment/supplies, and providing information on preventive health measures. If successful, the program will lead to reduced hospitalizations and help contain costs associated with the disease.

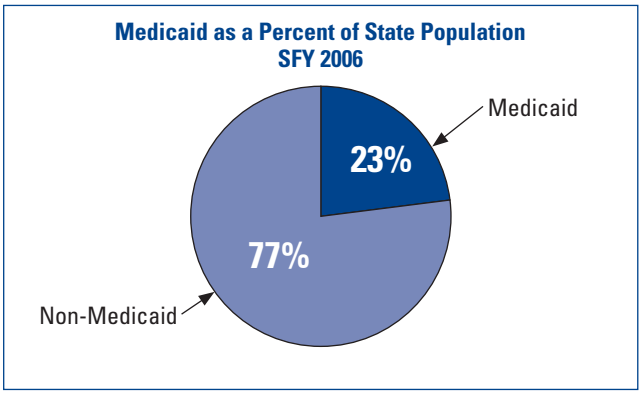
Eligibility Overview

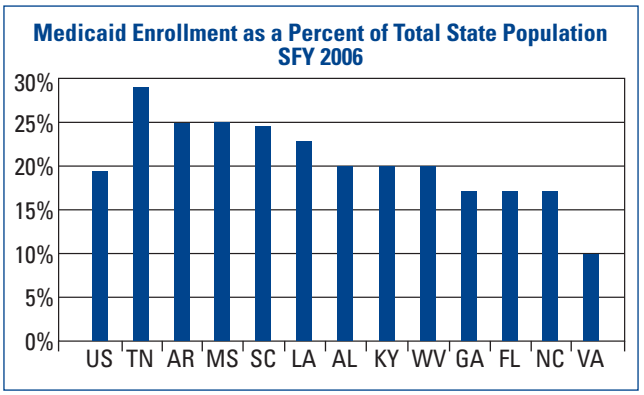
Congress created the federal Medicaid program in 1965 to provide health coverage for needy families and individuals. Over the years the program has expanded to include more than 30 different eligibility categories. Those categories typically fall into two groups: families with dependent children; or aged, blind or disabled individuals.

Almost two-thirds of Medicaid eligibles are families with dependent children. This group includes Low Income Families, Pregnant Women and Infants, and Children. Various elderly and disabled categories comprise the Aged, Blind and Disabled group.

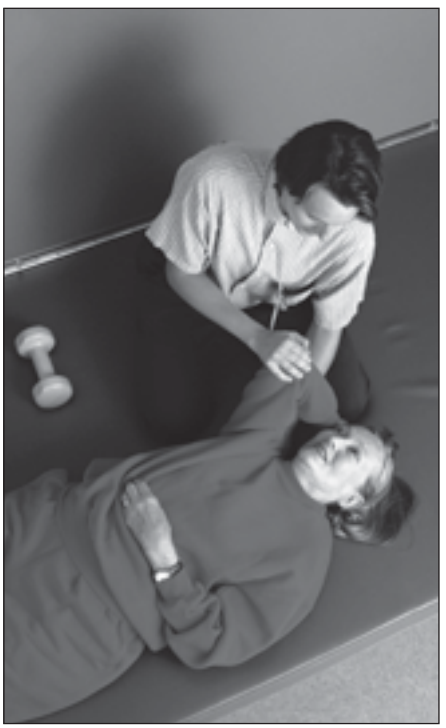
While the federal government mandates certain eligibility categories, states are given some flexibility in coverage rules. For this reason, Medicaid benefits and eligibility vary from state to state. Refer to *Chapter 5* for a list of eligibility categories and requirements.

DHHS tracks those who actually receive at least one service through Medicaid, called recipients, and those who are eligible for services but may or may not seek services. As shown in the following chart, the percentage of South Carolinians eligible for the Medicaid program is above both the national average and the Southeastern average.





Source: Kaiser

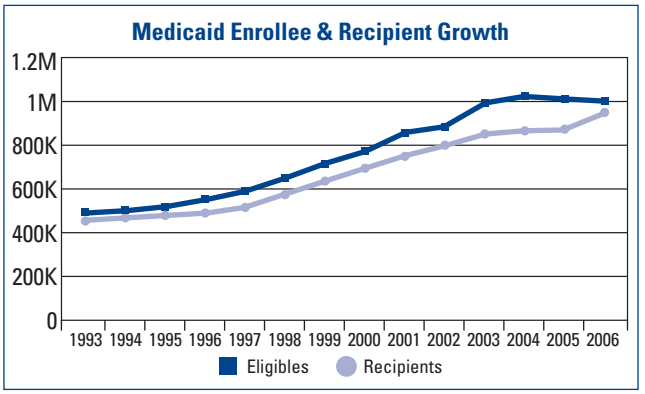


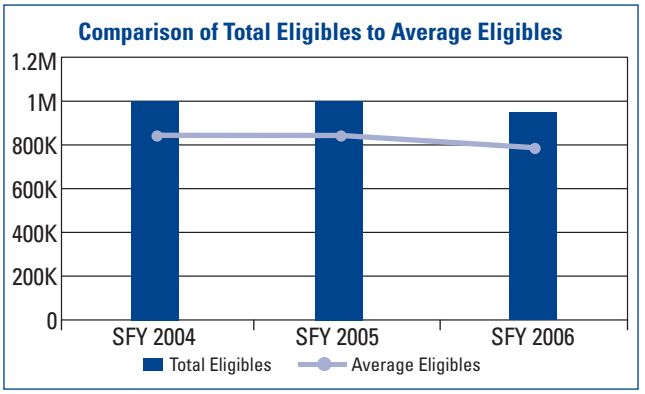
Eligibility Trends in South Carolina

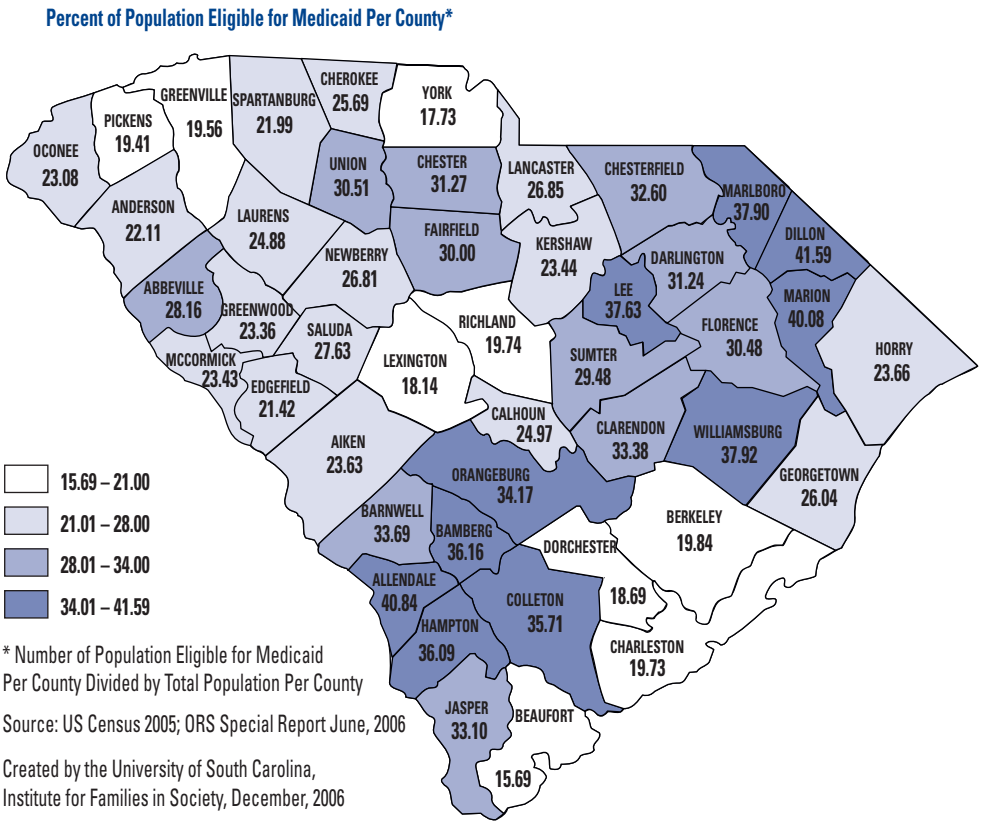
After a period of rapid growth, South Carolina Medicaid has experienced relatively static eligibility rates over the last several years. Flat eligibility is reflected in the state's low overall Medicaid growth rate. Several contributing factors help explain this trend.

The implementation of the national Medicare Part D prescription drug program: Prior to Medicare Part D, Medicaid provided the state-run SILVERxCARD drug coverage to approximately 50,000 residents. These individuals were technically considered Medicaid enrollees, although they were only eligible for drug benefits. With the implementation of the Medicare Part D benefit, these individuals are no longer counted as part of the Medicaid program and account for a drop in eligibility figures. DHHS does administer a Medicare Part D supplement benefit, called GAPS, but is funded exclusively with state dollars.

Active re-enrollment: Initiated in SFY 2004, annual Medicaid eligibility determination changed from a "passive" to an "active" re-enrollment process. That means eligibles must now attest to their income status on a yearly basis. This change was important to safeguard the integrity of the program and helps ensure it is reserved for those in need.







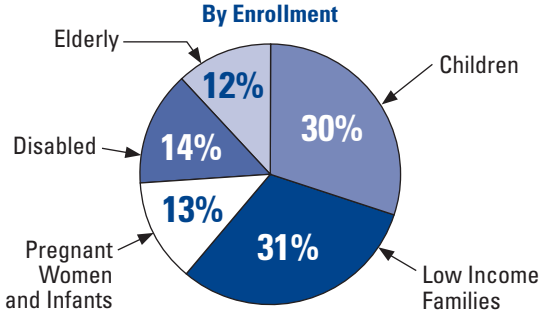
Serving People

Medicaid serves a wide swath of South Carolina's overall population. What began decades ago as a safety net program is now a major source of health coverage for about one in four South Carolinians. As mentioned, there are many categories of Medicaid eligibility. Contrary to popular belief, not all Medicaid beneficiaries are impoverished. Some qualify for coverage because they have complex medical needs and require a level of care that makes them Medicaid eligible, such as children in the TEFRA program.

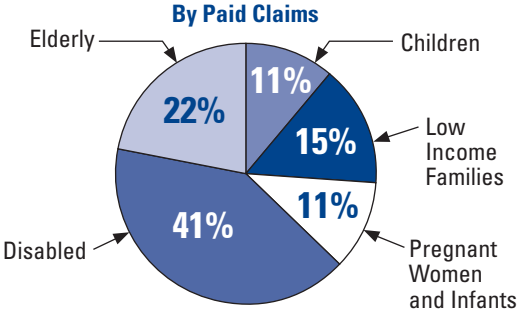
The following information provides a more detailed picture of the people we serve.

DHHS provides health coverage to over 40 percent of South Carolina children. Children covered by Medicaid generally fall into two categories: "regular Medicaid" or the State Children's Health Insurance Program (SCHIP). Roughly 85 percent of children served by DHHS fall into regular Medicaid, and about 15 percent are covered under SCHIP.

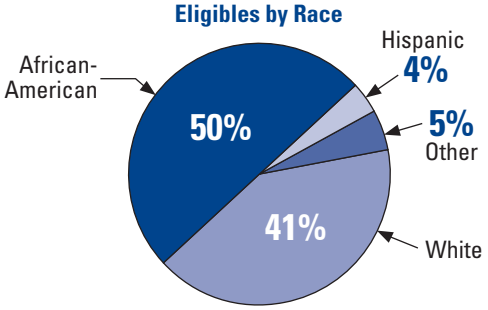
Major Medicaid Eligibility Categories • SFY 2006
By Enrollment



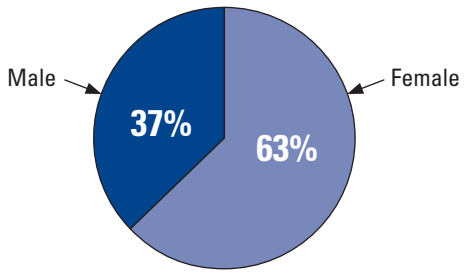
Major Medicaid Eligibility Categories • SFY 2006
By Paid Claims



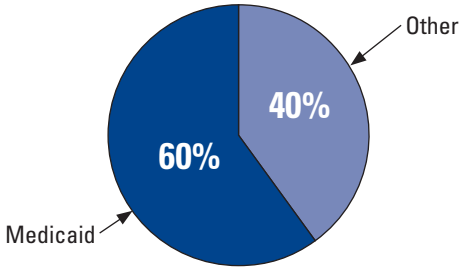
Major Medicaid Eligibility Categories • SFY 2006
Eligibles by Race



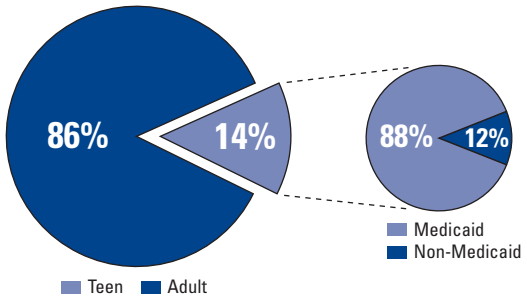
Major Medicaid Eligibility Categories • SFY 2006
Eligibles by Gender



Medicaid Births as a Percent of SC Births
SFY 2006



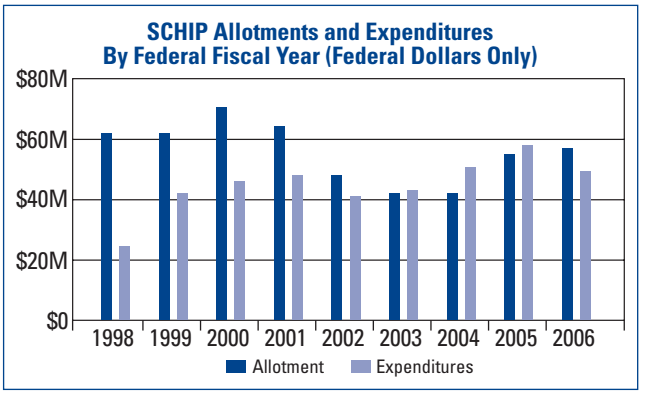
Teen Births and Medicaid
SFY 2006



SCHIP is a program, financed jointly by the state and federal government, that allows for the coverage of more children through expanded income limitations. SCHIP provides a capped amount of funds to states on a matching basis. Within broad federal guidelines, each state determines the design of its program, including who is eligible and what benefits they receive.

In South Carolina, SCHIP is available to children ages 1 to 19 whose family incomes do not exceed 150 percent of the federal poverty level. While this income threshold is lower than most other states, South Carolina Medicaid still covers a higher percentage of children than most states. Some children go back and forth between SCHIP and regular Medicaid as their families' income fluctuates, but the benefits do not change.

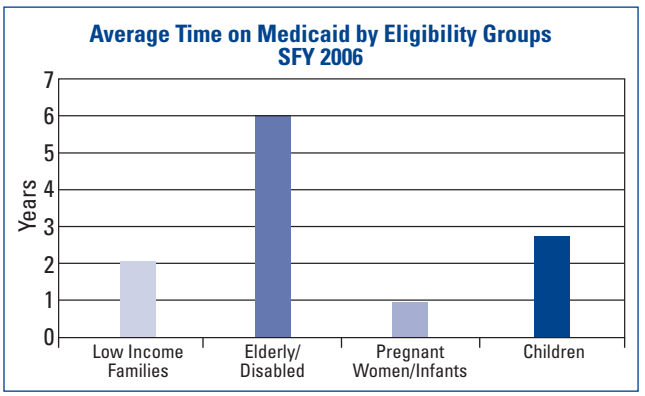
It is important to note that the future federal share of SCHIP funds has not been determined, and the program is up for Congressional reauthorization in 2007. The federal SCHIP budget ran a deficit in SFY 2006, and the shortfall could have implications for future state expansions.



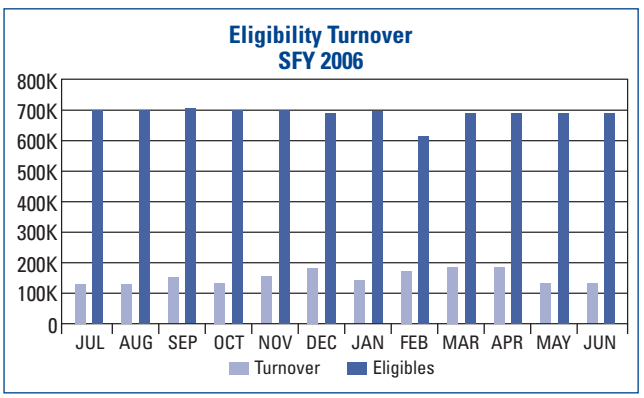
Does not reflect redistributions

Turnover Rate

While overall eligibility has been stable, there is a tendency for turnover within the Medicaid recipient population. For example, there are approximately 800,000 recipients at any one time, but from month to month, the specific individuals differ. Members that drop-off are replaced by approximately the same number of new members. We refer to this churn in eligibility as "turnover rate." For example, if only 80 percent of those eligible today were also eligible 12 months ago, we say we have a 20 percent turnover rate.



Data as of June 30, 2005



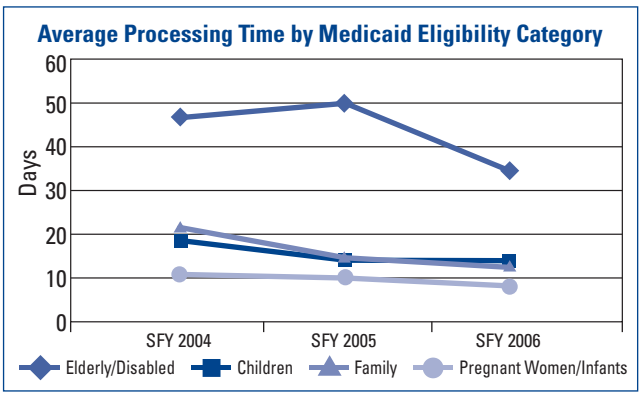
Enrollment Operations

In addition to the annual enrollment renewals processed by DHHS, the agency received nearly 300,000 new applications in SFY 2006. About 45 percent of these applications were mailed to our Columbia office, while others are handled at the agency's county offices. Some institutional providers with high Medicaid client volume, such as hospitals, also sponsor Medicaid caseworkers at their locations. Applications coming from sponsored workers accounted for more than 20 percent of all applications in SFY 2006.

DHHS has greatly improved its system for determining Medicaid eligibility over the last few years. The agency's goal is to ensure that every eligibility determination is fair, accurate and timely. Recent initiatives include:

Comprehensive training program: Enhanced training provided to eligibility workers on policy and procedures have increased accuracy and promoted efficient eligibility determinations. During SFY 2006, DHHS conducted 70 classes for new and existing staff that covered subjects from customer service to changes resulting from the federal Deficit Reduction Act. The agency also added eight new regional training positions to assist with staff development.

Improved eligibility determinations: Over the past two fiscal years, DHHS has greatly improved its application processing time and accuracy. Results have included a 20 percent reduction in applications pending, a 16 percent reduction in average processing time, and a 13 percent reduction in pending reviews. DHHS reduced pending applications for those with disabilities from 1,500 days in 2005 to a current average of only 43 days.



Citizenship verification: As mentioned earlier in this report, DHHS is now required to verify the citizenship status and identity of every Medicaid enrollee, including current beneficiaries. The agency launched a public awareness campaign in advance of the new requirement, hosting more than 90 public meetings statewide. DHHS also partnered with the Department of Health and Environmental Control to create an automated verification system, which has streamlined the process. We also are in the final stages of implementing an automated interface with the Department of Motor Vehicles to verify identity.

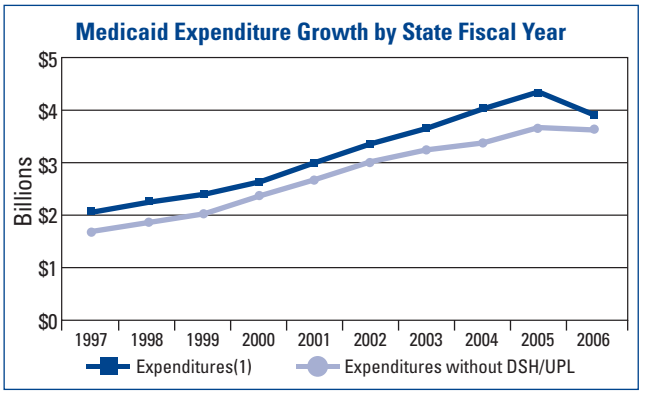
Introduction to Services

The following section details the various services funded through the Medicaid program. DHHS is one of the largest providers of health coverage in the state, covering about one-quarter of the population in any given year. South Carolina Medicaid works in tandem with hospitals, doctors, state agencies and other providers to offer high-value coverage to beneficiaries in need. In SFY 2006, the agency provided about $4 billion dollars in direct medical and related assistance to residents. Unfortunately, due to high chronic disease rates about 80 percent of those dollars go to treat only 20 percent of the Medicaid population.

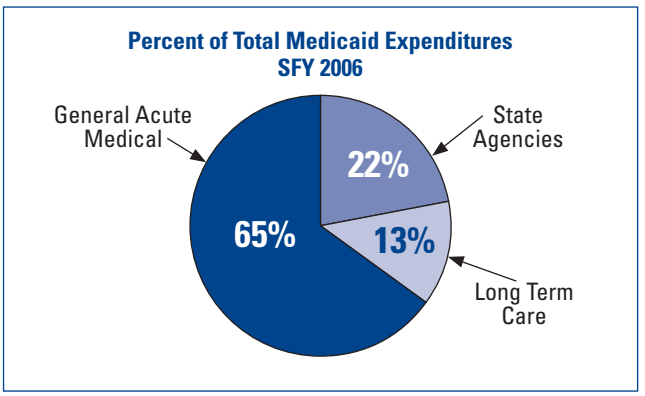
Services covered by South Carolina's Medicaid program are aimed at providing the best possible health care to beneficiaries at the most affordable cost.

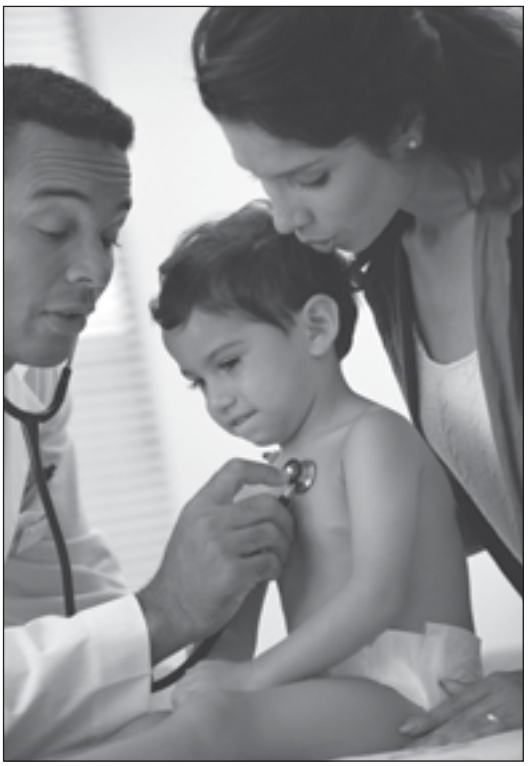
In addition to the federally mandated services, South Carolina offers an array of optional services to its Medicaid beneficiaries and the agency is able to modify the basic Medicaid benefit package as funding permits. For example, this past year, the agency was able to expand its preventive care services through enhanced cancer screenings. In an effort to maintain adequate access to quality care, reimbursement rates are evaluated and periodically adjusted. There are approximately 38,000 enrolled Medicaid providers rendering services to South Carolina Medicaid beneficiaries.

The comprehensive Medicaid benefit package can be generally categorized into three distinct programs: **Acute Medical Care Services, Long Term Care Services** and **State Agency Services.**



(1) Includes DHHS Assistance, State Agencies, DSH and Other Entities





General Acute Medical Care

General acute medical care is the largest Medicaid benefit program and is comprised of the following services. Several of these services are highlighted later in this chapter.

Service	Expenditures (Millions, SFY 2006)	Recipients
Hospital Services	$ 649	396,447
DSH & UPL Payments	$ 365	—
Pharmacy Services	$ 546	594,952
MMA Contribution	$ 27	—
Physician Services	$ 300	561,387
Dental Services	$ 93	265,413
EPSDT Screenings	$ 15	131,770
Medical Professional Services	$ 27	180,615
Transportation	$ 53	56,238
Lab & X-Ray	$ 37	263,272
Family Planning	$ 20	107,583
Clinical Services	$ 92	191,086
Durable Medical Equipment	$ 52	83,762
Coordinated Care	$ 117	181,142
Premiums Matched	$ 127	131,003
Premiums 100% State	$ 10	14,828
Hospice	$ 25	2,281
Trauma Center Fund	$ 9	—

Hospital Services

In South Carolina, where serious health problems are among the most pronounced in the nation, hospitals are a crucial partner to the Medicaid program. Unfortunately, many Medicaid beneficiaries lack medical homes, instead relying on hospital emergency rooms to treat conditions that could have been detected earlier by primary care physicians. Hospital services are the single largest cost component of the Medicaid program. Approximately 45 percent of Medicaid beneficiaries utilized hospital services, which account for 24 percent of all DHHS expenditures. The following charts reflect hospital related activities in the Medicaid program.

Significant portions of hospital services are the Disproportionate Share (DSH) and Upper Payment Limit (UPL) programs. DSH payments reimburse hospitals that serve a large number of uninsured patients. UPL payments reimburse qualifying hospitals for costs associated with providing care to Medicaid recipients. These payments combined totaled $365 million in SFY 2006.

In prior years, South Carolina DSH and UPL payments were primarily funded through inter-governmental transfers received from non-state owned public hospitals. The federal Centers for Medicare and Medicaid Services (CMS) more narrowly defined the criteria for intergovernmental transfer during 2004, threatening a major source of revenue for hospitals. In order to protect these programs, DHHS, with concurrence from CMS, developed an alternate funding plan that resulted in an increase to the existing hospital provider tax.

During SFY 2006, the South Carolina General Assembly took action to update the annual provider tax on licensed South Carolina hospitals. The passage of this legislation provided equity among the public and private DSH hospitals within the state. All licensed South Carolina general hospitals are now required to participate in the funding of services provided to Medicaid eligible and uninsured populations. This action likely prevented the loss of approximately $504 million in federal funds during SFY 2006 alone.

As part of the change, the agency also revised its DSH qualification criteria to allow for all licensed South Carolina private general hospitals to participate in the Medicaid DHS and UPL payment programs. Eleven new contracting private general hospitals became eligible to participate in these programs in SFY 2006.

Hospital Expenditures	FY 2004 - 05	FY 2005 - 06
Inpatient	$ 547,636,092	$ 557,765,882
Outpatient	96,619,566	91,953,334
Hospital Based Physician	14,604,833	158,623
Subtotal	**658,860,491**	**649,877,839**
Disproportionate Share[1]	441,377,593	248,087,560
Upper Payment Limits (UPL)[1]	301,622,369	116,954,109
TOTAL	**$ 1,401,860,453**	**$ 1,014,919,508**

(1) SFY 06 expenditures do not reflect final payment of $396 million made in first quarter of SFY 07.

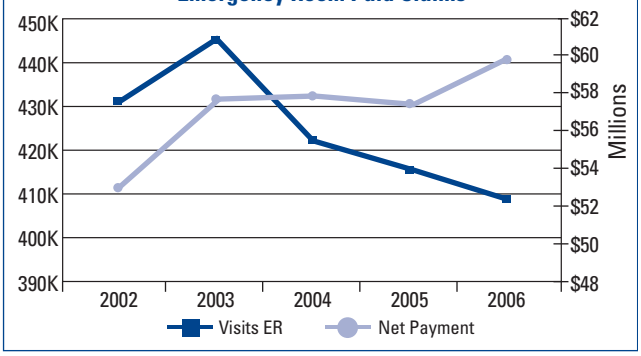
Top Clinical Conditions – Hospitals Claims • SFY 2006

Condition	Patients	Expenditures
Newborns	33,909	$ 103 million
Pregnancy	47,375	$ 91 million
Mental Health	19,345	$ 70 million
Respiratory Disorders	22,017	$ 26 million
Cancer	7,112	$ 19 million

Top Clinical Conditions – All Claims • SFY 2006

Condition	Patients	Expenditures
Mental Health	134,349	$ 365 million
Neurological Disorders	39,751	$ 235 million
Pregnancy	63,067	$ 173 million
Newborns	46,625	$ 133 million
Cancer	19,477	$ 55 million

Emergency Room Paid Claims



Pharmacy Services

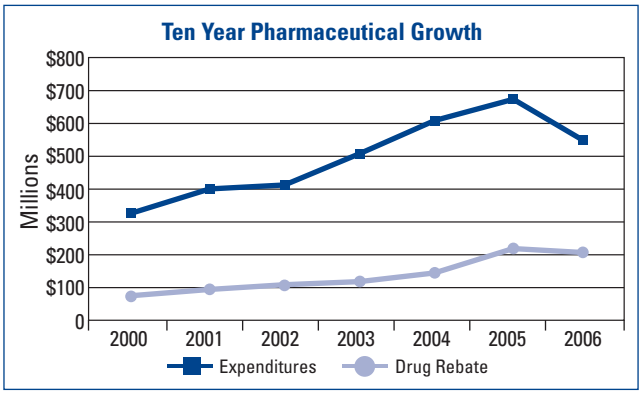
Although the pharmacy program is an optional service under federal Medicaid rules, it is economically vital to the program since treating illnesses with prescription drugs is usually more cost effective than hospitalization or surgery. Prescription drug costs made up about 20 percent of DHHS expenditures in SFY 2006, making it the second largest cost component of Medicaid. Approximately 69 percent of Medicaid beneficiaries received at least one prescription drug during the last fiscal year.

Due to the passage of the Medicare Part D prescription drug benefit, Medicaid is no longer responsible for providing drug coverage for "dual eligibles," seniors who are eligible for both Medicaid and Medicare.

The state is required to return to the federal government the state's portion of what it *would have* paid for drugs for dual eligibles. These funds are commonly referred to as the "clawback." Because of the clawback payments, the overall savings to the Medicaid program have not been greatly reduced. Our cost containment measures, such as the preferred drugs list and rebates that Medicaid has established, do not apply to Medicare Part D drug costs.

Nevertheless, DHHS successfully obtained favorable clawback rates from the federal government and has been highly successful in keeping pharmacy expenditure contained despite strong inflationary pressures. Notable measures to contain pharmaceutical costs include:

The Preferred Drug List (PDL): The agency has saved an estimated $36.6 million in Prescription drug costs in SFY 2006 as a result of the preferred drug list, which steers physicians toward cost effective drugs. DHHS has saved a total of $62.9 million since the implementation of the list in May 2004. A state proviso prohibits the addition of certain classes of drugs to the PDL, such as mental health and HIV/AIDS drugs. Expenditures for these excluded pharmaceuticals in SFY 2006 were $161.4 million.



SFY 2006 Expenditures are down due to the implementation of the MMA Phased Down Contribution effective 1/1/06.

SFY 06 Top Drug Classes by Paid Claims*

Drug Class	Examples	Payment
Ataractics-Tranquilizers	Seroquel, Risperdal, Zyprexa, Abilify	$55,656,974
Psycho-Stimulants-Anti-Depressants	Effexor, Paxil	$40,151,490
Anti-Convulsants	Neurontin	$37,548,561
Lipotropics	Lipitor, Zocor	$30,205,850
Bronchial Dilators	Advair, Singulair	$28,898,279

*Source: SC Medicaid POS Contractor, First Health Services

National Medicaid Pooling Initiative: South Carolina Medicaid is joining 12 other states in a national Medicaid drug pool. The pool allows states to better negotiate rebates with pharmaceutical companies. The additional leverage of drug pool membership is expected to enhance South Carolina's rebates by an additional $4.7 million next year.

Average Wholesale Price: South Carolina Medicaid reimburses pharmacies based on a two-part reimbursement formula intended to compensate pharmacies for their actual costs plus a dispensing fee. Currently, the reimbursement is based on a percentage of the Average Wholesale Price (AWP) of the drug plus a dispensing fee of $4.05 Changes to the AWP are prevented by state proviso. For each 1 percent increase in the discount off AWP Medicaid would reduce its total expenditures by $5.8 million ($1.8 million in state funds). The chart below shows a comparison of Southeastern AWP rates.

SFY06 Top Drugs by Paid Claims*

Brand Name	Drug Class/Use	Payment Amount	Avg Amt Paid Per Claim
Seroquel	Anti-Psychotic	$14,993,624	$275.40
Risperdal	Anti-Psychotic	$14,233,701	$221.07
Zyprexa	Anti-Psychotic	$12,945,722	$398.07
Lipitor	Cholesterol-Lowering	$12,479,461	$91.83
Advair Diskus	Asthma	$9,279,438	$157.57
Adderall XR	Attention Deficit/ Hyperactivity Disorder (ADHD)	$8,949,032	$118.01
Plavix	Platelet-Aggregation Inhibitor	$8,888,587	$124.02
Abilify	Anti-Psychotic	$7,849,872	$374.87
Nexium	Proton Pump Inhibitor	$7,824,247	$144.45
Singulair	Asthma	$7,658,271	$94.15

*Source: SC Medicaid POS Contractor, First Health Services

Medicaid Reimbursement Rates & Dispensing Fees* • Southeastern States

AL	AWP minus 10% or WAC + 9.2%	$5.40
SC	**AWP minus 10%**	**$4.05**
NC	AWP minus 10%	$5.60 for generics $4.00 for brands
VA	AWP minus 10.25% AWP minus 25% for blood factor	$4.00
GA	AWP minus 11% AWP minus 15% for "most favored nation" pharmacies	$4.63 for "for-profit" pharmacies $4.33 for non-profit pharmacies
TN	AWP minus 13%	$3.00 for generics $2.50 for brands
LA	AWP minus 13.5% for independents AWP minus 15% for chain stores	$5.77
AR	AWP minus 14% for brands AWP minus 20% for generics	$7.51 for generics with no Maximum Allowable Cost (MAC) pricing $5.51 for brands
TX	AWP minus 15% or WAC + 12%	$5.14 (with add-ons)
KY	AWP minus 15% AWP 14% for generics	$5.00 for generics $4.50 for brands
FL	AWP minus 15.4% or WAC + 5.75%	**$7.50 for 340B pharmacies** $4.23 for others

*Results from an email survey. Information current as of 11/06.

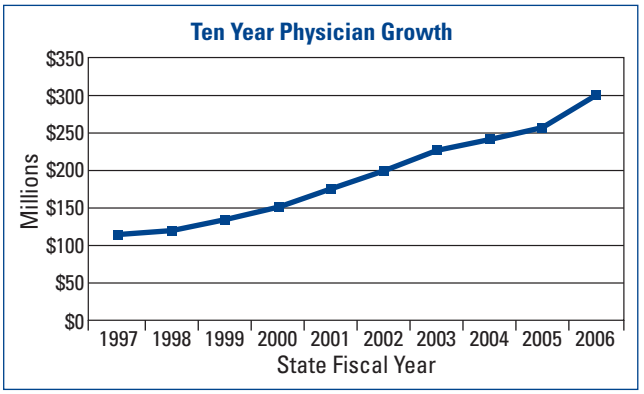
Physician Services

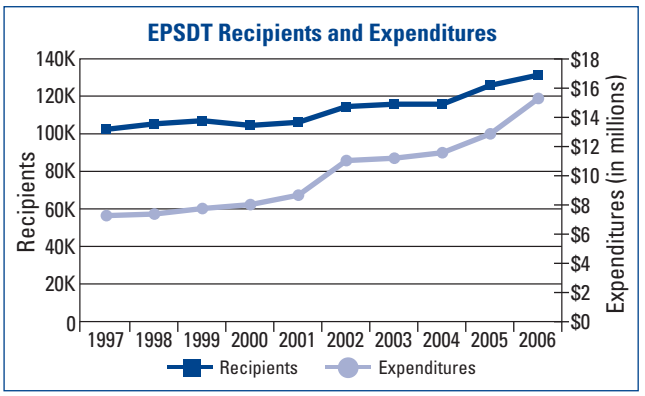
Physicians are a crucial component in the delivery of quality health care services to Medicaid beneficiaries. During SFY 2006, DHHS expenditures for physician services totaled over $300 million dollars, making it the fourth largest cost component of the South Carolina Medicaid program. Approximately 65 percent of Medicaid beneficiaries received services rendered by physicians during SFY 2006.

DHHS believes it is crucial for every Medicaid recipient to develop a relationship with a primary care physician. Through established medical homes, beneficiaries can receive preventive medical assistance, important disease screenings and tips on staying healthy. Encouraging the use of medical homes is not only cost-effective, but it also saves lives.

One of the most pressing issues facing Medicaid as it relates to physicians is the level of reimbursement for care. Since physicians are not required to accept Medicaid patients, the program must provide reasonable reimbursement rates to ensure access for beneficiaries. In SFY 2006, more than 70 percent of South Carolina physicians were enrolled to treat Medicaid patients, including 74 percent of all primary care doctors and 77 percent of obstetricians/gynecologists.

Medicare and the State Health Plan serve as general benchmarks for Medicaid physician reimbursement rates. In SFY 2006, the South Carolina General Assembly provided DHHS with $9 million to update rates. The agency increased the physician fees from 75 percent to 80 percent of the 2006 Medicare fee schedule as a result of the additional funding. Reimbursement rates for the Early Periodic Screening, Diagnosis, and Treatment were also increased. Average rates for screening new patients increased by 30 percent, while the average rate for screening established patients increased by 20 percent.





Other Services

Clinic Services

DHHS Medicaid expenditures for clinic services totaled $92.5 million during SFY 2006, with approximately 190,000 Medicaid beneficiaries utilizing clinic services. Rural Health Clinics and the Federally Qualified Health Centers are two major components of clinic services. They are designated and partially funded by the federal government and provide care to the medically underserved and other vulnerable populations.

Federally Qualified Health Centers: Federally Qualified Health Clinics (FQHCs) must serve a federally designated area where access to health care for certain populations is limited. They must provide services to patients regardless of insurance status and use a sliding fee scale for uninsured patients based on income. FQHCs receive enhanced Medicare and Medicaid reimbursement rates. There are now 39 FQHCs enrolled with Medicaid, serving about 82,000 beneficiaries. Medicaid reimbursement to FQHCs for SFY 2006 totaled $31 million.

Aside from enhanced Medicare and Medicaid reimbursement, benefits to FQHCs include federal grant funding; eligibility to purchase medications for outpatients at reduced cost through a special drug pricing program; access to a children's vaccine program; and medical malpractice coverage through the federal Tort Claims Act.

Rural Health Clinics: Rural Health Clinics are primary health care clinics located in non-urban areas that have a shortage of health care services or health care providers. Reimbursement to the clinics is based on the cost of service, up to the current year's Medicare cap. There are currently 104 Rural Health Clinics enrolled with South Carolina Medicaid, serving about 100,000 beneficiaries. Medicaid reimbursement to RHCs for SFY 2006 totaled $26 million.

Coordinated Care

In an effort to expand choices to Medicaid beneficiaries, DHHS offers two different types of coordinated care plans—private managed care organizations (MCO) and Medical Homes Networks (MHN). Two central features of both types of plans is the emphasis on preventive health care and the establishment of a relationship with a primary care physician. The federal government also allows these plans to offer benefits that traditional "fee-for-service" Medicaid programs do not.

As part of our *Healthy Connections* transformation plan, DHHS increased beneficiary enrollment in coordinated care during SFY 2006. About one-quarter of the state's eligible Medicaid population is now enrolled in one of six private coordinated care plans (two MCOs and four MHNs) and beneficiaries in 44 South Carolina counties can now choose their own health plan. Aside from reduced administrative costs, increased coordinated care promises to improve overall health outcomes for beneficiaries.

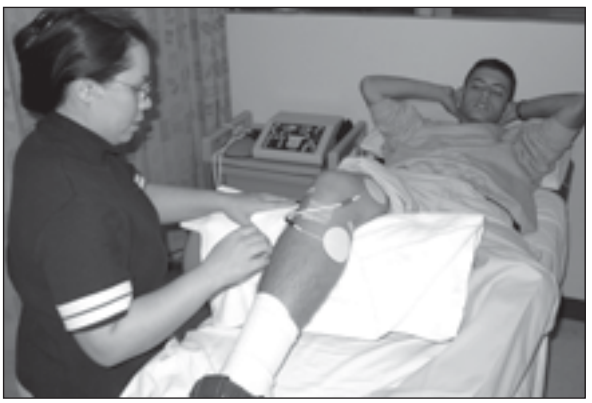
With the help of an enrollment broker, the agency intends to continue these efforts in the coming year. The broker will serve as an independent third-party that will help beneficiaries choose a plan that best suits their individual health care needs. The broker also will maintain quality and customer satisfaction reports on the various plans.

Managed care is not new to South Carolina, but unlike many other states that rushed to implement managed care in their Medicaid programs, we have taken a more cautious and methodical approach. DHHS implemented it first managed care program in 1996. Over the past decade, the agency has tested various models of voluntary managed care. One early model tested was the Physician Enhanced Program (PEP).

A limited number of studies have documented the costs savings associated with certain aspects of PEP compared to traditional fee-for-service or other forms of Medicaid managed care. These studies have all been limited to Medicaid data from 1996 through 1998. More recent program comparisons utilizing samples that control for the health status and location of recipients have found PEP to be more costly than fee-for service.

The Medicaid program has undergone tremendous changes over the last ten years—shifts in federal and state priorities, technological and pharmaceutical innovations, population demographics and rising costs. These changes required that the agency examine all of the health care initiatives embracing strategies that combined both cost savings with accountability and program improvements. Studies on early managed care models support the need for quality measures to improve the delivery of health care services. The current MHN model shares attributes with MCOs, such as member services, care coordination, quality assurance and accountability never seen in traditional fee-for-service Medicaid or early PEP models.

Coordinated Care	SFY 2004	SFY 2005	SFY 2006
MCO Paid Claims	$71,163,815	$75,884,771	$110,503,185
MCO Unduplicated Recipients	78,002	82,360	112,144
MHN Paid Claims	NA	$229,445	$5,059,214
MHN Unduplicated Recipients	NA	13,130	70,292



Transportation Services

Medicaid provides both emergency and non-emergency transportation for beneficiaries, with DHHS expenditures totaling over $53 million. DHHS has experienced significant inflation in transportation services in recent years, growing by 37 percent in the last four years alone.

In previous years, at least 22 separate companies and individual providers delivered the majority of non-emergency transportation services under the traditional "fee-for-service" method. Scheduling and coordination of transportation to and from medical appointments was handled through the local DHHS offices across the state.

DHHS followed the lead of many other state Medicaid programs by procuring the services of brokers to manage non-emergency transportation program. These brokers will serve six separate regions of the state, contracting with individual transportation providers. It is anticipated that the broker model will help curb inflation and improve the scheduling and coordination of non-emergency transportation services for beneficiaries.

Dental Services

Medicaid pays for routine dental care for children under 21 years of age and those enrolled in the Mentally Retarded/Related Disabilities waiver. Only emergency dental services are covered for adults over 21 years of age. Medicaid reimbursed dental providers over $86 million during SFY 2006.

There are currently over 1,200 dental providers enrolled in the Medicaid program. South Carolina's reimbursement rates for dental services are among the highest in the Southeast, which has led to increased access to care for Medicaid eligible children.

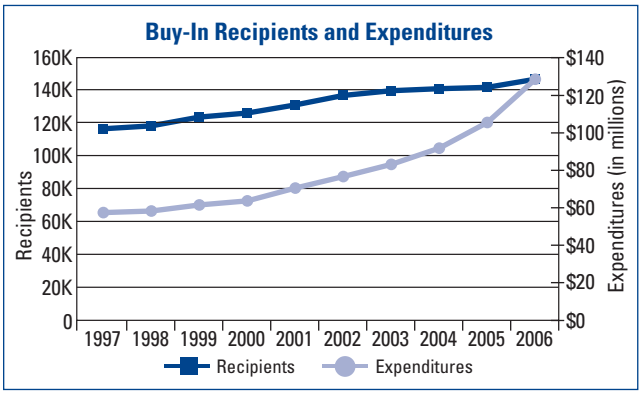
DHHS will seek to enhance the administration of the dental program and ensure that dental services are delivered in the most efficient and cost effective manner. The agency intends to procure the services of an outside vendor with the expertise in dental services to improve efficiencies in the program. DHHS will continue to reimburse providers directly and will be responsible for quality assurance and oversight of the program.

Medicare Buy-In

Some beneficiaries can receive Medicaid and Medicare, the program for people age 65 and older and people who receive Social Security disability benefits.

For a person who has both, Medicaid may pay the monthly Medicare "Part B" premium. Medicare Part B covers doctor's services, outpatient care and other medically necessary services. Medicare "Part A" covers hospital care and premiums are paid by DHHS only under certain conditions. Combined Medicare Part A and B premium payments are often referred to as "Supplemental Medical Insurance."

Significant increase in DHHS expenditures for these Medicare premiums unfortunately is not within the control of the state and is solely the result of federal decisions. However, it is still more cost effective for the state to pay these premiums for Medicare coverage.



Long-Term & Nursing Care

Long Term Care

South Carolina has one of the fastest growing populations of senior citizens and is expected to rank in the top 20 in terms of elderly residents by 2025, according to the U.S. Census Bureau. The agency's goal is to provide an array of dignified care options that allow seniors to enjoy a high quality of life. Long-term care is comprised of the services shown in the following chart:

Nursing Homes

Nursing facility services are the third largest component of the Medicaid program, with expenditures of more than $400 million for about 16,000 recipients in SFY 2006. It is also one of the most expensive services in terms of cost per recipient. Growth in nursing facility expenses is driven by inflation in overall health care costs, since nursing home rates are established annually based on facilities' cost reports.

Each nursing facility has its own admission policy and maintains its own waiting list. DHHS also maintains a list of all individuals who qualify for a nursing facility, but not yet entered one. The number of individuals awaiting nursing home placement averaged 300 per month in SFY 2006. However, this is not indicative of a shortage of nursing home beds. Although a specific facility may not have a bed available, the most recent utilization data indicates that there are more beds available statewide than there are individuals awaiting placement.

Beginning July 1, 2005, at the direction of the Centers for Medicare and Medicaid Services, DHHS implemented new policies for nursing home beneficiaries who elected the hospice benefit. The change no longer allows Medicaid to make direct payments to nursing facilities for room and board for hospice patients. Payments are made to the hospice agency, which reimburses the nursing facility for room and board services. Funds were transferred from the nursing home service line to the hospice service line to reflect this change.

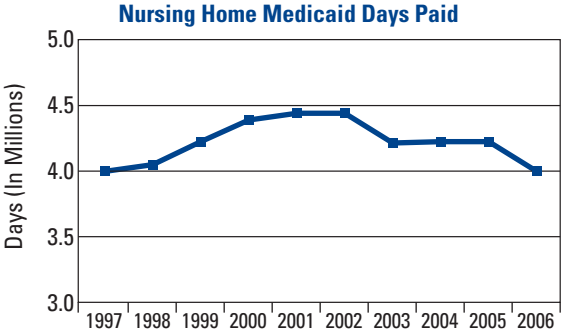
Community Long Term Care

The Community Long Term Care (CLTC) program serves beneficiaries who qualify for nursing home placement but choose to stay in a home or community setting. Since 2000, the CLTC program has had a cap of 11,000 participants. The popularity of the program, combined with younger disabled enrollees, has resulted in a low turnover rate in the program. There are an average of 2,800 individuals per month awaiting CLTC services, with an average waiting time of about four months.

Effective July 1, 2006, 500 new slots were added to the program to meet the high demand for in-home services. Enhanced funding for the CLTC program is a wise investment because it serves recipients for about one-third of the cost of nursing home care.

Several changes also were made to the CLTC program recently to better meet the needs of beneficiaries. The new *Community Choices* waiver, for example, allows beneficiaries to have greater control over their own care. Hourly CLTC provider rates also were increased to ensure a qualified pool of caregivers.

Service	Expenditures (Millions, SFY 2006)	Recipients
Nursing Home Services	$ 418	16,075
Community Long Term Care	$ 86	15,740
Home Health	$ 11	7,597
Optional State Supplement (OSS)	$ 13	5,277
Integrated Personal Care (IPC)	$ 2	775
PACE	$ 9	436



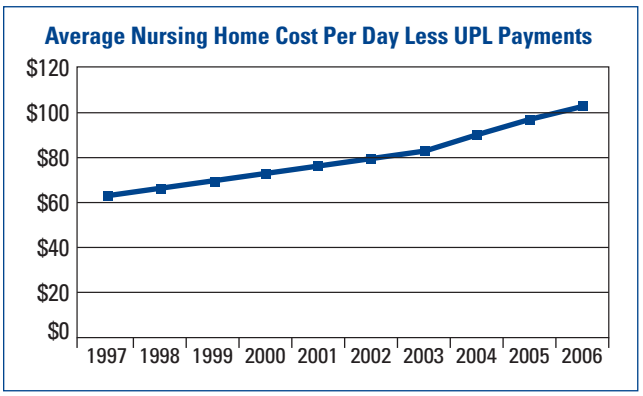
Program of All-inclusive Care for the Elderly (PACE)

The PACE program is a long-term care option funded jointly by Medicaid and Medicare. It provides primary and long-term managed care services to beneficiaries aged 55 and older that meet a nursing facility level of care. PACE primarily serves seniors with complex health care needs.

The Palmetto SeniorCare program (PSC), one of the earliest PACE sites in the nation, operates five PACE centers in Richland and Lexington counties and served more than 400 seniors in SFY 2006. A brand new PACE in Orangeburg County is currently being developed.

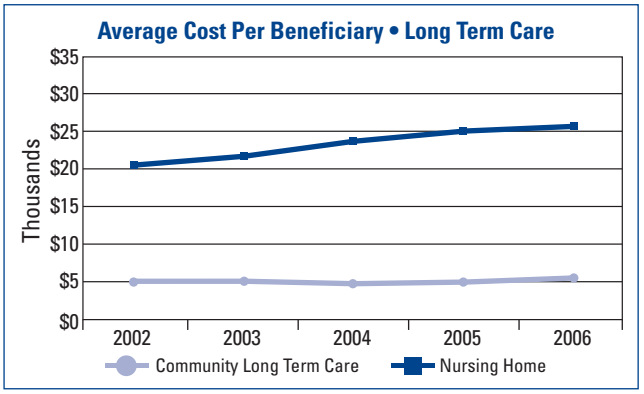
Optional State Supplement (OSS)

Amendments to the Social Security Act give states a choice to provide Optional State Supplementation (OSS) to help people meet health care needs not fully covered by Supplemental Security Income (SSI). OSS is a monthly payment for residential care and is funded entirely with state dollars. Effective July 1, 2006, the General Assembly increased funding for OSS by $5,000,000, resulting in an $85 per month increase in the room and board payment to providers.



Integrated Personal Care (IPC)

DHHS implemented the Integrated Personal Care (IPC) program in 2003 to maximize existing state funding for the OSS program and to improve the quality of care residents in participating facilities. Approximately 4,000 South Carolinians reside in licensed community residential care facilities and have their income subsidized with OSS dollars. Integrated Personal Care (IPC) matches state OSS funds with federal dollars for those who need extra personal care.



State Agency Services

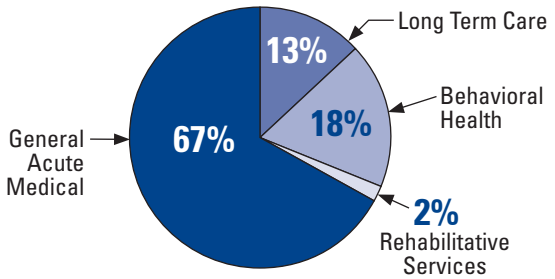
South Carolina Medicaid offers an extensive benefit package of optional rehabilitative services. DHHS contracts with other state agencies to provide these services. Those state agencies utilize federal Medicaid matching funds to support the programs, many of which make up a large portion of those agencies' budget. Since DHHS has sole federal authority to distribute federal Medicaid matching money, we work closely with other agencies to monitor and provide oversight for services reimbursed by Medicaid. The vast majority of the services rendered by state agencies can be categorized as behavioral health services or early intervention services. See the chart below for a listing of agencies receiving Medicaid funds:

Agency	Medicaid Payments to Other State Agencies
Department of Mental Health	$ 150,481,601
Dept. of Disabilities & Special Needs	$ 433,129,611
DHEC	$ 17,805,850
Medical University of South Carolina	$ 44,836,789
University of South Carolina	$ 6,401,332
DAODAS	$ 14,408,349
Continuum of Care	$ 9,316,237
School for the Deaf & Blind	$ 3,941,212
Department of Social Services	$ 50,070,688
Department of Juvenile Justice	$ 20,353,749
Department of Education	$ 54,435,108
Commission for the Blind	$ 6,875
Department of Corrections	$ 1,397,614
John De La Howe	$ 72,565
Wil Lou Gray School	$ 26,258
State Housing Authority	$ 66,307

Behavioral Health Services

Behavioral health services makes up an increasingly large portion of the state's Medicaid budget and accounts for the majority of rehabilitative costs. In SFY 2006 behavioral health accounted for 18 percent of total Medicaid expenditures. DHHS funds services through sister agencies including, but not limited to, the Department of Mental Health, the Department of Social Services, the Continuum of Care, and the Department of Juvenile Justice.

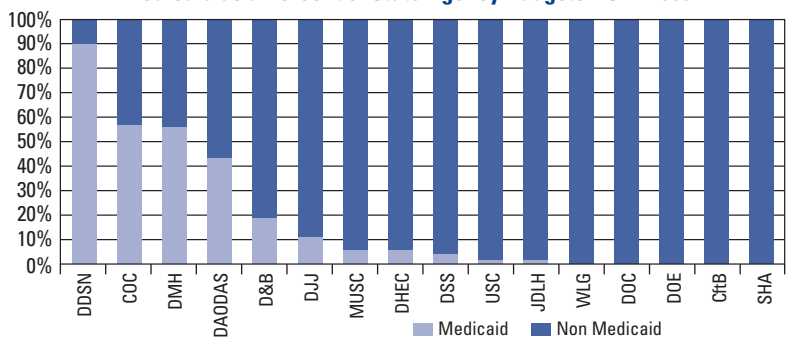
Behavioral Health and Rehab Services as a Percent of Total Medical Expenditures



Early Intervention Services

Early Intervention Services focus on identification and treatment of children with atypical behavioral developmental patterns. Services provided to children are therapeutic and support families caring for the children DHHS funds services through public providers such as the state Department of Health and Environment Control and the state Department of Disabilities and Special Needs.

Medicaid as a Percent of State Agency Budgets • SFY 2006



SC Department of Health & Human Services
Analysis of Medicaid Coverage for Other State Agencies by Services
Based on Expenditures for the Year Ended June 30, 2006

	DDSN	DMH	DHEC	MUSC	USC	DAODAS	COC	D&B	DSS	DJJ	DOE	COB	JDLH	DOC	WLG	SHA	GRAND TOTAL
Hospital Services	6,284	6,775,067		5,588,468										1,378,877			13,748,696
Nursing Homes	160,511,692	21,097,216															-181,608,908
Physician Services			5,597,614	1,891,819										18,737			7,508,170
Home Health																	—
EPSDT																	—
Lab & X-Ray			237,362														-237,362
Family Planning			7,842,287								4,637,736		3,261				
Clinical Services	31,768,441	109,208,265	1,370,140	37,252,108	6,401,332	13,794,244	3,357,199	2,066,693	20,520,262	8,885,587	43,395,146	6,875	69,304		24,798		278,120,394
Coordinated Care																	—
Dental																	—
Premium Pmts - Medicare		50,428															-50,428
Supplemental Insurance																	—
Transportation		787,498						990,030			3,523,321						5,300,849
Pharmacy		182,151	2,400,952														-2,583,103
Community Long Term Care	216,448,318																-216,448,318
Durable Medical Equipment																	—
Medical Professional		10,703	17,078				780		804,652		96,978						930,191
Hospice																	—
Residential Care Facility	1,166,636	8,672,228					2,761,150		845,738		852,993						14,298,745
Assisted Living (OSS)																	—
Case Management	23,228,240	3,698,045	340,417	104,394		614,105	3,197,108	884,489	27,664,651	2,988,126	9,198						62,728,773
Other Services									235,385	8,480,036	1,919,736				1,460	66,307	10,702,924
Subtotal Group Coverage	**433,129,611**	**150,481,601**	**17,805,850**	**44,836,789**	**6,401,332**	**14,408,349**	**9,316,237**	**3,941,212**	**50,070,688**	**20,353,749**	**54,435,108**	**6,875**	**72,565**	**1,397,614**	**26,258**	**66,307**	**806,750,145**

Source: MMIS CCA2900; GAFRS 9427 expenditures have been spread based on the MMIS CCA 2900

Administration / Technology

Administration

In SFY 2006, South Carolina Medicaid accounted for nearly $5 billion in federal and state dollars and ranked second only to education in terms of state spending. At the same time, DHHS held administrative costs to only *2.5 percent* of its budget. The agency continuously looks for opportunities to streamline costs without sacrificing quality and takes pride in its record of making wise investments on behalf of South Carolina taxpayers.

Technology

DHHS believes in utilizing state-of-the-art technology to assist in its goal of improving quality and efficiency. Strategic investments in technology help the agency meet the demands of the modern health care industry while maintaining cost-effectiveness.

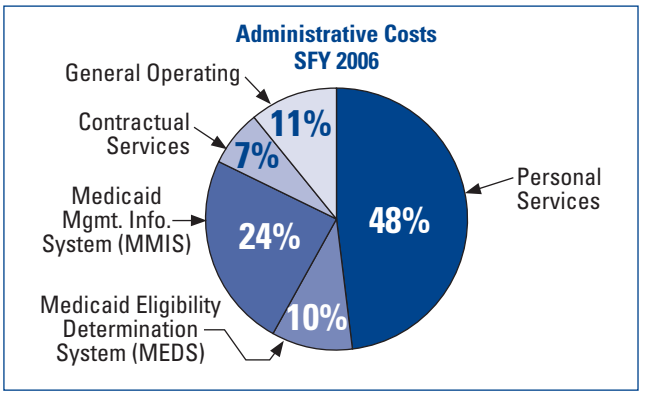
Decision Support System

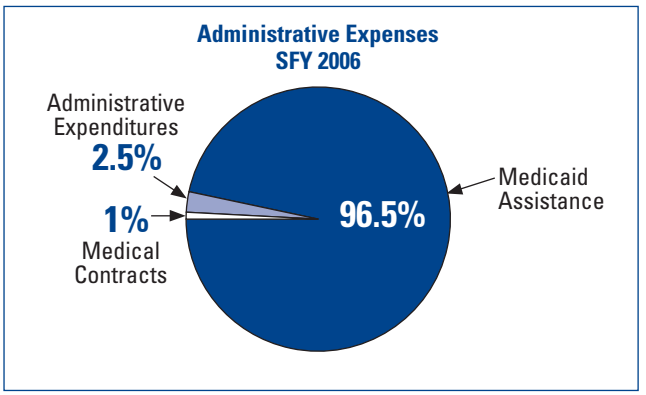
DHHS partnered with heath technology company Thomson Medstat to develop a new computer system, called the "decision support system." The implementation of this system began in June 2006.

The decision support system is a powerful data mining tool which collects and analyzes claims information. It allows managers to view countless data permutations in order to craft better Medicaid policy. The agency is using the system in two ways:

Efficiency: Decision support can identify policies and payment rates that deviate from industry standards, making it possible to implement best practices and realize cost savings. It also will give agency a clearer picture of its resource allocations and how they can be maximized.

Fraud and abuse detection: Decision support can identify irregularities in billing patterns, allowing the agency to recoup millions of dollars in inappropriate claims each year. DHHS has already launched several fraud investigations based on data uncovered through the new system.



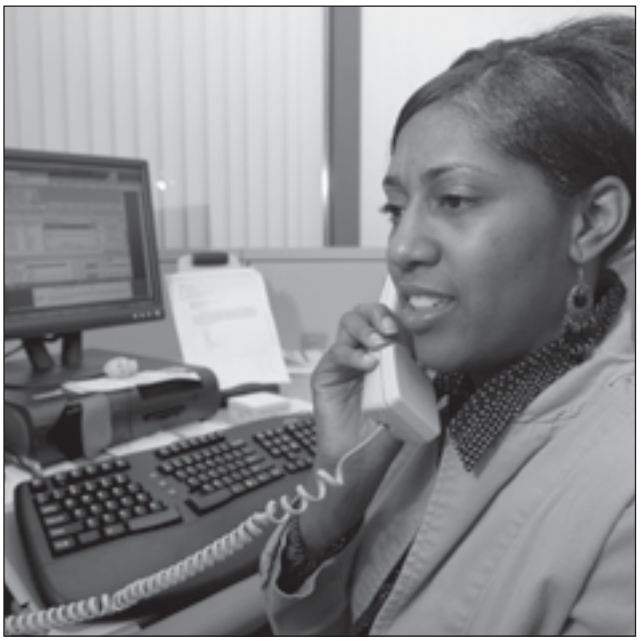


Technology

Medicaid Management Information System (MMIS)

South Carolina's Medicaid Management Information System (MMIS) is a state run program that provides for the automated payment of Medicaid claims. Clemson University provides the system hardware, software and approximately 25 staff in support of the MMIS. The MMIS is used to enroll providers, adjudicate claims, pay providers, report costs and utilization and enroll recipients into special programs.

In SFY 2006, just over 29 million claims were received. Of those, approximately 24.6 million claims were paid.



Medicaid Eligibility Determination System (MEDS)

South Carolina's Medicaid Eligibility Determination System (MEDS) provides for a central repository of Medicaid eligibility data for the state of South Carolina. The system records Medicaid eligibility for program applicants and also provides caseload management and referrals. Clemson University also provides the system hardware, software and staff in support of MEDS.

Medicaid Claims
SFY 2006

	Claims Received[1]	Claims Paid[2]
Professional	11,269,214	8,998,582
Drug	11,241,845	9,701,746
Premiums	3,340,898	3,340,897
Hospital	1,687,554	1,193,834
Dental	627,064	572,268
Adjustment	575,660	557,024
Nursing Home	235,370	219,260
Transportation	25,743	25,412
TOTAL	**29,003,348**	**24,609,023**

[1] Represents all claims entering the MMIS claims processing for the first time.

[2] Represents all claims entering claims processing, including paid recycled claims.

Fraud & Abuse Control

Fraud & Abuse Control

In SFY 2006, DHHS recovered more than $9.2 million from Medicaid providers and beneficiaries for overpayments and inappropriate use of benefits. Although recoveries were down in SFY 2006 compared to the previous year, DHHS has taken important steps to improve its ability to identify and prevent waste, fraud, and abuse in the Medicaid program.

With the help of the new Decision Support System, DHHS' Division of Program Integrity now can run "fraud algorithms" which identify potential fraud and inaccurate billing. The system has already flagged several abusive practices, including:

Psychiatrists claiming to spend more than 12 hours a day in face-to-face interventions with clients.

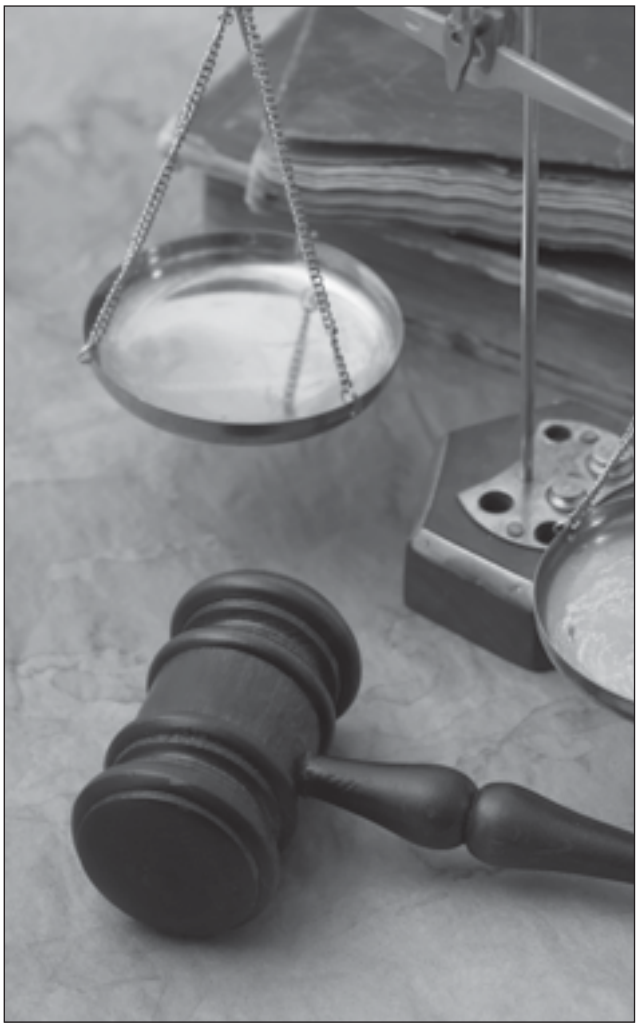
Emergency ambulance trips for patients when there are no corresponding medical claims from a hospital, physician or nursing home.

Excessive or unnecessary diagnostic services ordered for a high percentage of physicians' patients.

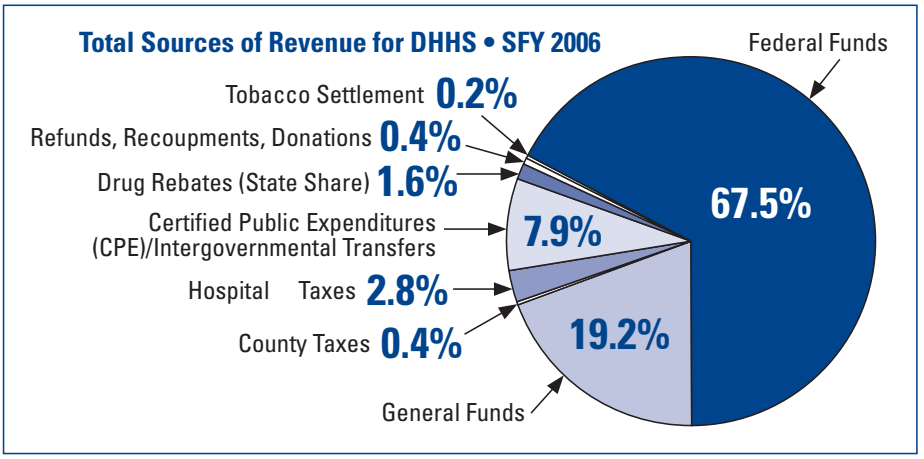
The Division of Program Integrity operates a fraud hotline and receives complaints against providers and beneficiaries. In SFY 2006, the division received more than 1,000 complaints on the hotline. Of these, about 150 complaints were made against physicians and other Medicaid providers, and the remaining complaints concerned beneficiaries. All these cases were reviewed individually by the agency.

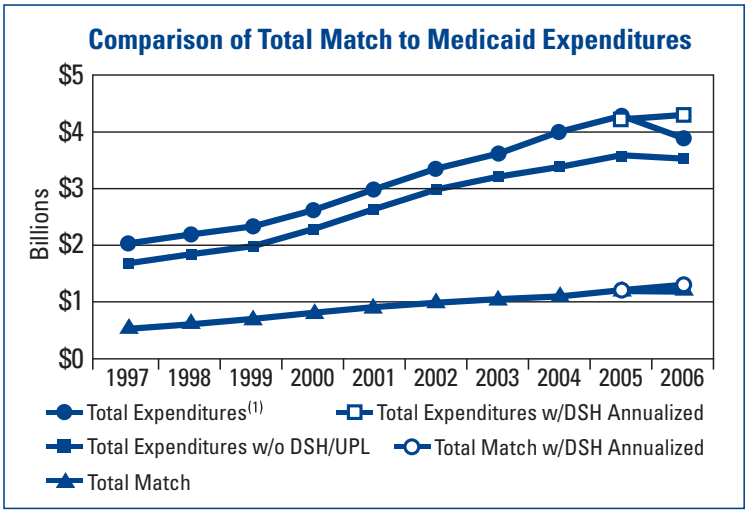
In cases where fraud is suspected, DHHS refers the case to the Medicaid Fraud Control Unit in the State Attorney General's Office for further investigation and possible prosecution. In federal FY 2006, the agency referred 12 cases of potential criminal fraud to the Attorney General's Office.

Fraud & Abuse Hotline
(888) 364-3224



General Medicaid Data





(1) Includes DHHS Assistance, State Agencies, DSH and Other Entities

MEDICAID ASSISTANCE ACTIVITY
TOTAL EXPENDITURES • STATE FISCAL YEAR 2005-2006

DHHS Medicaid Assistance:	FY 2003-04	FY 2004-05	Change	FY 2005-06	Change
Hospital Services	$608,422,811	$658,860,491	8.3%	$649,877,839	-1.4%
Nursing Home Services	421,068,611	469,345,747	11.5%	418,655,318	-10.8%
Pharmacy Services	607,150,455	669,378,435	10.2%	546,235,820	-18.4%
MMA Phase Down Contributions	0	0	0.0%	27,721,574	100.0%
Physician Services	239,414,028	257,529,066	7.6%	300,384,377	16.6%
Dental Services	89,157,464	92,904,514	4.2%	93,236,432	0.4%
Community Long Term Care	76,135,097	81,545,758	7.1%	86,385,310	5.9%
Home Health	11,956,118	13,289,379	11.2%	11,327,259	-14.8%
EPSDT Screening	11,523,818	12,991,264	12.7%	15,327,126	18.0%
Medical Professional	16,338,753	17,607,554	7.8%	27,845,960	58.1%
Transportation	42,838,875	47,566,399	11.0%	53,455,992	12.4%
Lab & X-Ray	26,983,566	31,469,847	16.6%	37,867,735	20.3%
Family Planning Services	19,506,476	20,422,855	4.7%	20,874,590	2.2%
Premiums Matched	90,942,468	105,005,440	15.5%	127,835,608	21.7%
Premiums 100% State	6,737,542	7,945,675	17.9%	10,490,145	32.0%
Hospice[2]	4,723,791	5,921,881	25.4%	25,660,513	333.3%
Optional State Supplement (OSS)	14,986,554	13,985,094	-6.7%	13,305,334	-4.9%
Integrated Personal Care (IPC)	1,182,387	2,105,690	78.1%	2,300,352	9.2%
Clinic Services	85,916,074	89,972,459	4.7%	92,448,460	2.8%
Durable Medical Equipment	42,393,142	48,907,238	15.4%	52,756,053	7.9%
Coordinated Care	71,163,814	76,158,255	7.0%	117,641,644	54.5%
	2,488,541,843	**2,722,913,041**	**9.4%**	**2,731,633,441**	**0.3%**
PACE	8,598,568	8,905,454	3.6%	9,573,120	7.5%
Trauma Center Fund	0	0	0.0%	9,555,523	100.0%
Total DHHS Medicaid Assistance	**2,497,140,411**	**2,731,818,495**	**9.4%**	**2,750,762,084**	**0.7%**
Other State Agency Medicaid Assistance:					
Department of Mental Health	171,365,310	155,403,328	-9.3%	150,481,601	-3.2%
Department of Disabilities & Special Needs	412,987,890	430,634,503	4.3%	433,129,611	0.6%
Department of Health & Environmental Control	37,298,961	37,575,748	0.7%	17,805,850	-52.6%
Medical University of South Carolina	41,939,631	48,496,689	15.6%	44,836,789	-7.5%
University of South Carolina	5,690,602	7,982,304	40.3%	6,401,332	-19.8%
Department of Alcohol & Other Drug Abuse Services	13,879,179	13,087,351	-5.7%	14,408,349	10.1%
Continuum of Care	8,898,251	8,606,575	-3.3%	9,316,237	8.2%
School for the Deaf & Blind	3,437,980	3,559,479	3.5%	3,941,212	10.7%
Department of Social Services	50,324,531	49,360,351	-1.9%	50,070,688	1.4%
Department of Juvenile Justice	20,449,250	27,540,540	34.7%	20,353,749	-26.1%
Department of Education	68,705,945	73,504,294	7.0%	54,435,108	-25.9%
Commission for the Blind	8,876	6,666	-24.9%	6,875	3.1%
Department of Corrections	0	11,058	100.0%	1,397,614	100%+
John De La Howe	0	0	0.0%	72,565	100.0%
Wil Lou Gray Opportunity School	0	9,322	100.0%	26,258	181.7%
State Housing Authority	0	0	0.0%	66,307	100.0%
Total Other Agency Medicaid Assistance	**834,986,406**	**855,778,208**	**2.5%**	**806,750,145**	**-5.7%**
Other Entities[1]	210,473,059	18,902,543	-91.0%	8,770,197	-53.6%
Emotionally Disturbed Children	54,573,513	58,668,627	7.5%	62,770,767	7.0%
Total Medical Asst with Other Entities and EDC	**3,597,173,389**	**3,665,167,873**	**1.9%**	**3,629,053,193**	**-1.0%**
Disproportionate Share	489,351,755	742,999,962	51.8%	365,041,669[3]	-50.9%
Total Medical Asst with Disproportionate Share	**$4,086,525,144**	**$4,408,167,835**	**7.9%**	**$3,994,094,862**	**-9.4%**

SOURCE: DAFR 9427 Report

(1) State Fiscal Year 2004 includes UPL's and other payments not directly associated with a service line.

(2) Funds transferred from the Nursing Home line in SFY 2006.

(3) State Fiscal Year 2006 expenditures do not reflect the final payment of $396 million made in the first quarter of SFY 2007.

MEDICAID ASSISTANCE ACTIVITY
UNDUPLICATED MEDICAID RECIPIENTS • STATE FISCAL YEAR 2005-2006

DHHS Medicaid Assistance:	**FY 2003-04**	**FY 2004-05**	**Change**	**FY 2005-06**	**Change**
SFY05 YTDHospital Services	397,239	398,934	0.4%	396,447	-0.6%
Nursing Home Services	16,626	16,488	-0.8%	16,075	-2.5%
Pharmacy Services	596,842	598,079	0.2%	594,952	-0.5%
Physician Services	518,306	523,910	1.1%	561,387	7.2%
Dental Services	253,117	259,669	2.6%	265,413	2.2%
Community Long Term Care	15,889	15,862	-0.2%	15,740	-0.8%
Home Health	7,328	7,115	-2.9%	7,597	6.8%
EPSDT Screening	116,225	125,653	8.1%	131,770	4.9%
Medical Professional	153,760	156,721	1.9%	180,615	15.2%
Transportation	51,030	53,433	4.7%	56,238	5.2%
Lab & X-Ray	239,743	257,337	7.3%	263,272	2.3%
Family Planning Services	112,684	111,224	-1.3%	107,583	-3.3%
Premiums Matched	126,893	127,859	0.8%	131,003	2.5%
Premiums 100% State	13,621	13,499	-0.9%	14,828	9.8%
Hospice	601	768	27.8%	2,281	197.0%
Optional State Supplement (OSS)	5,494	5,337	-2.9%	5,277	-1.1%
Integrated Personal Care (IPC)	496	706	42.3%	775	9.8%
Clinic Services	194,891	194,308	-0.3%	191,086	-1.7%
Durable Medical Equipment	70,963	76,983	8.5%	83,762	8.8%
Coordinated Care	78,002	95,446	22.4%	181,142	89.8%
	856,756	**858,177**	**0.2%**	**868,741**	**1.2%**
PACE	367	398	8.4%	436	9.5%
Trauma Center Fund	-	-	0.0%		
Unduplicated Total Recipients - DHHS[1]	**857,123**	**858,575**	**0.2%**	**869,177**	**1.2%**
Other State Agency Medicaid Assistance:					
Department of Mental Health	50,195	51,581	2.8%	48,998	-5.0%
Department of Disabilities & Special Needs	18,509	19,598	5.9%	19,794	1.0%
Department of Health & Environmental Control	166,010	184,848	11.3%	165,769	-10.3%
Medical University of South Carolina	5,051	5,075	0.5%	5,312	4.7%
University of South Carolina	2,325	2,664	14.6%	2,510	-5.8%
Department of Alcohol & Other Drug Abuse Services	8,929	9,338	4.6%	9,885	5.9%
Continuum of Care	521	473	-9.2%	488	3.2%
School for the Deaf & Blind	621	731	17.7%	807	10.4%
Department of Social Services	12,258	10,495	-14.4%	10,339	-1.5%
Department of Juvenile Justice	7,958	8,841	11.1%	7,444	-15.8%
Department of Education	69,568	93,269	34.1%	95,660	2.6%
Commission for the Blind	136	82	-39.7%	79	-3.7%
Department of Corrections	-	1	100.0%	87	100.0%
John De La Howe	-	-	0.0%	95	100.0%
Wil Lou Gray Opportunity School	-	32	100.0%	107	234.4%
State Housing Authority	-	-	0.0%	82	100.0%
Unduplicated Total Recipients - Other Agencies[1]	**291,104**	**329,420**	**13.2%**	**313,687**	**-4.8%**
Other Entities	23,127	11,958	-48.3%	8,829	-26.2%
Emotionally Disturbed Children	2,010	1,950	-3.0%	1,999	2.5%
Total Unduplicated Recipients w/Other Entities & EDC[1]	**874,420**	**877,210**	**0.3%**	**886,862**	**1.1%**

SOURCE: MMIS 8500 REPORT

[1] Amounts are not cumulative sums of service lines but are unduplicated totals.

MEDICAID ASSISTANCE ACTIVITY
COST PER RECIPIENT • STATE FISCAL YEAR 2005-2006

DHHS Medicaid Assistance:	FY 2003-04	FY 2004-05	Change	FY 2005-06	Change
Hospital Services	$1,532	$1,652	7.8%	$1,639	-0.7%
Nursing Home Services	25,326	28,466	12.4%	26,044	-8.5%
Pharmacy Services	1,017	1,119	10.0%	918	-18.0%
Physician Services	462	492	6.4%	535	8.9%
Dental Services	352	358	1.6%	351	-1.8%
Community Long Term Care	4,792	5,141	7.3%	5,488	6.8%
Home Health	1,632	1,868	14.5%	1,491	-20.2%
EPSDT Screening	99	103	4.3%	116	12.5%
Medical Professional	106	112	5.7%	154	37.2%
Transportation	839	890	6.0%	951	6.8%
Lab & X-Ray	113	122	8.7%	144	17.6%
Family Planning Services	173	184	6.1%	194	5.7%
Premiums Matched	717	821	14.6%	976	18.8%
Premiums 100% State	495	589	19.0%	707	20.2%
Hospice	7,860	7,711	-1.9%	11,250	45.9%
Optional State Supplement (OSS)	2,728	2,620	-3.9%	2,521	-3.8%
Integrated Personal Care (IPC)	2,384	2,983	25.1%	2,968	-0.5%
Clinic Services	441	463	5.0%	484	4.5%
Durable Medical Equipment	597	635	6.3%	630	-0.9%
Coordinated Care	912	798	-12.5%	649	-18.6%
	2,905	3,173	9.2%	3,144	-0.9%
Trauma Center Fund	-	-	0.0%	-	0.0%
PACE	23,429	22,376	-4.5%	21,957	-1.9%
Cost per unduplicated recipient-DHHS[1]	**2,913**	**3,182**	**9.2%**	**3,165**	**-0.5%**
Other State Agency Medicaid Assistance:					
Department of Mental Health	3,414	3,013	-11.8%	3,071	1.9%
Department of Disabilities & Special Needs	22,313	21,973	-1.5%	21,882	-0.4%
Department of Health & Environmental Control	225	203	-9.5%	107	-47.2%
Medical University of South Carolina	8,303	9,556	15.1%	8,441	-11.7%
University of South Carolina	2,448	2,996	22.4%	2,550	-14.9%
Department of Alcohol & Other Drug Abuse Services	1,554	1,402	-9.8%	1,458	4.0%
Continuum of Care	17,079	18,196	6.5%	19,091	4.9%
School for the Deaf & Blind	5,536	4,869	-12.0%	4,884	0.3%
Department of Social Services	4,105	4,703	14.6%	4,843	3.0%
Department of Juvenile Justice	2,570	3,115	21.2%	2,734	-12.2%
Department of Education	988	788	-20.2%	569	-27.8%
Commission for the Blind	65	81	24.6%	87	7.1%
Department of Corrections	-	11,058	100.0%	16,065	45.3%
John De La Howe	-	-	0.0%	764	100.0%
Wil Lou Gray Opportunity School	-	291	0.0%	245	-15.8%
State Housing Authority	-	-	0.0%	809	100.0%
Cost per unduplicated recipient-Other Agencies[1]	**2,868**	**2,598**	**-9.4%**	**2,572**	**-1.0%**
Other Entities	9,101	1,581	-82.6%	993	-37.2%
Emotionally Disturbed Children	27,151	30,086	10.8%	31,401	4.4%
Cost per Unduplicated Recipients (including DSH)[1]	**4,673**	**5,025**	**7.5%**	**4,504**	**-10.4%**
Cost per Unduplicated Recipients (excluding DSH)[1]	**$4,114**	**$4,178**	**1.6%**	**$4,092**	**-2.1%**

SOURCE: DAFR 9427, MMIS 8500 REPORTS

[1] Amounts are not cumulative sums of service lines but are unduplicated totals for all services. DSH = Disproportionate Share.

MEDICAID ASSISTANCE ACTIVITY
PERCENTAGE OF RECIPIENTS UTILIZING EACH MEDICAID SERVICE • STATE FISCAL YEAR 2005-2006

DHHS Medicaid Assistance:	FY 2003-04	FY 2004-05	Change	FY 2005-06	Change
Hospital Services	45.43%	45.48%	0.1%	44.70%	-1.70%
Nursing Home Services	1.90%	1.88%	-1.1%	1.81%	-3.57%
Pharmacy Services	68.26%	68.18%	-0.1%	67.09%	-1.61%
Physician Services	59.27%	59.72%	0.8%	63.30%	5.99%
Dental Services	28.95%	29.60%	2.3%	29.93%	1.10%
Community Long Term Care	1.82%	1.81%	-0.5%	1.77%	-1.85%
Home Health	0.84%	0.81%	-3.2%	0.86%	5.61%
EPSDT Screening	13.29%	14.32%	7.8%	14.86%	3.73%
Medical Professional	17.58%	17.87%	1.6%	20.37%	13.99%
Transportation	5.84%	6.09%	4.4%	6.34%	4.10%
Lab & X-Ray	27.42%	29.34%	7.0%	29.69%	1.19%
Family Planning Services	12.89%	12.68%	-1.6%	12.13%	-4.33%
Premiums Matched	14.51%	14.58%	0.4%	14.77%	1.34%
Premiums 100% State	1.56%	1.54%	-1.2%	1.67%	8.65%
Hospice	0.07%	0.09%	27.4%	0.26%	193.77%
Optional State Supplement (OSS)	0.63%	0.61%	-3.2%	0.60%	-2.20%
Integrated Personal Care (IPC)	0.06%	0.08%	41.9%	0.09%	8.58%
Clinic Services	22.29%	22.15%	-0.6%	21.55%	-2.73%
Durable Medical Equipment	8.12%	8.78%	8.1%	9.44%	7.62%
Coordinated Care	8.92%	10.88%	22.0%	20.43%	87.72%
PACE	0.04%	0.05%	8.1%	0.05%	8.36%
Other State Agency Medicaid Assistance:					
Department of Mental Health	5.74%	5.88%	2.4%	5.52%	-6.04%
Department of Disabilities & Special Needs	2.12%	2.23%	5.5%	2.23%	-0.10%
Department of Health & Environmental Control	18.99%	21.07%	11.0%	18.69%	-11.30%
Medical University of South Carolina	0.58%	0.58%	0.2%	0.60%	3.53%
University of South Carolina	0.27%	0.30%	14.2%	0.28%	-6.81%
Department of Alcohol & Other Drug Abuse Services	1.02%	1.06%	4.2%	1.11%	4.71%
Continuum of Care	0.06%	0.05%	-9.5%	0.06%	2.05%
School for the Deaf & Blind	0.07%	0.08%	17.3%	0.09%	9.20%
Department of Social Services	1.40%	1.20%	-14.7%	1.17%	-2.56%
Department of Juvenile Justice	0.91%	1.01%	10.7%	0.84%	-16.72%
Department of Education	7.96%	10.63%	33.6%	10.79%	1.45%
Commission for the Blind	0.02%	0.01%	-39.9%	0.01%	0.00%
Department of Corrections	0.00%	0.00%	0.0%	0.01%	0.00%
John De La Howe	0.00%	0.00%	0.0%	0.00%	0.00%
Wil Lou Gray Opportunity School	0.00%	0.00%	0.0%	0.01%	0.00%
State Housing Authority	0.00%	0.00%	0.0%	0.01%	0.00%
Other Entities	2.64%	1.36%	-48.5%	1.00%	-26.97%
Emotionally Disturbed Children	0.23%	0.22%	-3.3%	0.23%	1.40%

SOURCE: MMIS 8500 REPORT

PAID CLAIMS BY COUNTY
SFY 2005-2006

COUNTY	Paid Claims to Providers in County	% to Total	Rank	Paid Claims for Residents of County	Rank
ABBEVILLE	$ 12,051,377.35	0.33%	42	$22,210,121.94	39
AIKEN	$ 88,094,263.99	2.42%	11	$119,553,460.88	9
ALLENDALE	$ 8,281,331.71	0.23%	48	$14,315,075.46	45
ANDERSON	$137,187,544.60	3.77%	8	$132,021,632.43	8
BAMBERG	$14,527,331.29	0.40%	41	$20,852,595.29	40
BARNWELL	$19,903,332.22	0.55%	36	$33,059,381.88	34
BEAUFORT	$54,365,179.30	1.49%	18	$55,988,414.83	19
BERKELEY	$37,120,596.39	1.02%	24	$91,118,223.71	15
CALHOUN	$9,566,952.61	0.26%	46	$16,638,694.88	44
CHARLESTON	$449,254,702.87	12.34%	2	$242,141,815.26	3
CHEROKEE	$27,659,650.68	0.76%	31	$44,728,889.39	28
CHESTER	$15,444,547.05	0.42%	40	$33,972,618.70	33
CHESTERFIELD	$28,580,490.41	0.79%	28	$49,825,398.69	23
CLARENDON	$28,196,222.94	0.77%	29	$42,888,241.74	29
COLLETON	$31,478,951.97	0.86%	26	$45,633,297.53	27
DARLINGTON	$70,806,689.20	1.95%	16	$79,916,217.11	16
DILLON	$22,060,127.91	0.61%	34	$41,906,835.90	30
DORCHESTER	$53,758,531.73	1.48%	19	$91,414,504.41	14
EDGEFIELD	$7,840,216.03	0.22%	49	$17,001,165.84	43
FAIRFIELD	$17,170,318.84	0.47%	39	$29,275,836.41	37
FLORENCE	$230,399,013.56	6.33%	4	$176,450,783.09	5
GEORGETOWN	$52,383,913.23	1.44%	20	$52,320,078.45	22
GREENVILLE	$320,863,272.96	8.82%	3	$285,813,988.95	2
GREENWOOD	$73,387,303.48	2.02%	14	$54,806,082.23	20
HAMPTON	$10,840,774.53	0.30%	44	$22,981,689.23	38
HORRY	$120,376,217.38	3.31%	9	$148,772,707.55	6
JASPER	$10,785,717.43	0.30%	45	$19,852,930.59	41
KERSHAW	$31,206,991.15	0.86%	27	$45,982,857.67	26
LANCASTER	$42,568,501.82	1.17%	22	$56,905,930.10	18
LAURENS	$71,290,543.10	1.96%	15	$108,629,554.83	11
LEE	$11,554,486.84	0.32%	43	$31,093,732.69	36
LEXINGTON	$147,411,028.68	4.05%	7	$145,719,180.87	7
MARION	$34,283,179.62	0.94%	25	$47,992,252.19	24
MARLBORO	$19,247,192.08	0.53%	37	$34,294,253.34	32
MCCORMICK	$7,548,813.16	0.21%	50	$9,843,467.70	46
NEWBERRY	$22,724,725.18	0.62%	33	$35,677,028.99	31
OCONEE	$40,451,461.89	1.11%	23	$54,009,472.87	21
ORANGEBURG	$77,953,430.32	2.14%	13	$105,273,663.65	12
PICKENS	$52,365,237.97	1.44%	21	$73,015,213.50	17
RICHLAND	$690,313,845.82	18.97%	1	$304,133,282.48	1
SALUDA	$9,270,618.39	0.25%	47	$17,798,211.83	42
SPARTANBURG	$204,095,539.35	5.61%	5	$199,066,955.92	4
SUMTER	$78,102,323.77	2.15%	12	$100,679,334.91	13
UNION	$18,865,974.12	0.52%	38	$32,569,758.29	35
WILLIAMSBURG	$22,822,250.12	0.63%	32	$47,101,819.89	25
YORK	$104,806,102.16	2.88%	10	$114,159,242.86	10
GA < 25 MI	$57,687,046.90	1.59%	17	$ -	N/A
GA > 25 MI	$3,116,530.76	0.09%	51	$ -	N/A
NC < 25 MI	$27,829,070.23	0.76%	30	$ -	N/A
NC > 25 MI	$21,526,998.12	0.59%	35	$ -	N/A
OTHER NON-SC	$152,234,884.15	4.18%	6	$ -	N/A

NOTE: Paid claims do not include gross adjustments or contractual transportation
SOURCE: MMIS SFY 06 Paid Claims by County

MEDICAID ELIGIBLES BY MAJOR CATEGORY
SFY 2005-2006

COUNTY	Low Income Families	Pregnant Women and Infants	Children	Elderly	Disabled	Emergency and/or Inmate	Total
ABBEVILLE	2,641	364	1,636	629	754	0	6,024
AIKEN	13,936	2,500	10,170	2,264	4,720	125	33,715
ALLENDALE	1,539	264	1,278	497	755	4	4,337
ANDERSON	11,615	2,426	12,144	3,059	5,445	76	34,765
BAMBERG	2,359	362	1,447	610	798	2	5,578
BARNWELL	2,646	456	2,435	692	1,272	2	7,503
BEAUFORT	6,747	2,058	8,380	1,073	2,223	358	20,839
BERKELEY	11,909	2,510	10,329	1,562	3,054	109	29,473
CALHOUN	1,437	177	1,032	438	516	3	3,603
CHARLESTON	21,751	5,394	21,453	4,487	9,719	321	63,125
CHEROKEE	4,638	870	4,298	1,015	1,888	12	12,721
CHESTER	3,653	673	2,907	938	1,336	2	9,509
CHESTERFIELD	5,625	738	3,729	1,329	1,891	7	13,319
CLARENDON	3,707	582	3,379	1,220	1,744	10	10,642
COLLETON	5,433	817	4,123	1,137	2,134	12	13,656
DARLINGTON	7,908	1,156	6,108	1,796	3,018	6	19,992
DILLON	5,236	678	3,267	1,312	1,866	11	12,370
DORCHESTER	7,410	1,863	6,871	1,151	2,819	22	20,136
EDGEFIELD	1,975	303	1,596	556	702	9	5,141
FAIRFIELD	2,257	414	2,368	779	1,016	1	6,835
FLORENCE	15,847	2,404	9,632	3,630	6,217	15	37,745
GEORGETOWN	5,4976	941	5,208	1,222	2,222	38	15,128
GREENVILLE	26,383	5,409	23,827	5,641	11,221	616	73,097
GREENWOOD	5,716	1,127	5,261	1,260	2,068	115	15,547
HAMPTON	2,842	398	2,405	692	1,155	0	7,492
HORRY	21,056	4,342	16,368	3,041	6,084	237	51,128
JASPER	2,462	570	2,472	497	748	84	6,833
KERSHAW	4,415	1,081	4,030	1,097	1,934	1	12,558
LANCASTER	5,813	1,234	4,956	1,347	1,980	0	15,330
LAURENS	5,100	1,131	5,347	1,487	3,092	35	16,192
LEE	2,870	396	2,289	871	1,063	5	7,494
LEXINGTON	15,874	3,366	13,660	2,374	4,622	136	40,032
MARION	5,335	535	4,010	1,445	1,967	7	13,299
MARLBORO	3,389	702	3,068	1,168	1,740	0	10,067
McCORMICK	749	122	653	328	358	0	2,210
NEWBERRY	3,221	700	2,996	861	1,276	53	9,107
OCONEE	5,881	842	4,793	1,236	1,991	45	14,788
ORANGEBURG	11,487	2,234	8,887	2,977	4,501	48	30,134
PICKENS	8,271	1,290	5,797	1,523	2,794	26	19,701
RICHLAND	24,954	5,092	20,175	4,335	9,718	305	64,579
SALUDA	1,510	362	1,768	496	607	41	4,784
SPARTANBURG	17,268	3,987	18,348	4,756	8,717	141	53,217
SUMTER	11,875	1,885	9,195	2,711	4,287	26	29,979
UNION	2,671	452	2,374	835	1,424	1	7,757
WILLIAMSBURG	4,685	598	4,076	1,481	2,162	3	13,005
YORK	12,387	2,536	10,048	2,381	3,940	144	31,436
TOTAL	**351,980**	**68,341**	**300,593**	**76,236**	**135,558**	**3,214**	**935,922**

NUMBER OF MEDICAID RECIPIENTS BY RECIPIENT AGE
SFY 2005-2006

	Age 0 - 18	Age 19 - 64	Age 65 & over	All Ages
DHHS Medicaid Assistance:				
Hospital Services	224,216	149,944	26,650	393,447
Nursing Home Services	3	1,901	14,359	16,075
Pharmacy Services	312,601	196,352	91,870	594,329
Physician Services	323,191	193,754	50,942	561,387
Dental Services	225,605	36,664	3,898	265,413
Community Long Term Care	633	6,281	9,200	15,740
Home Health	2,541	4,281	817	7,597
EPSDT Screening	130,182	1,589	1	131,770
Medical Professional	101,183	67,309	12,879	180,615
Transportation	15,660	28,693	12,244	56,238
Lab & X-Ray	147,180	115,184	3,735	263,272
Coordinated Care	145,498	33,824	2,913	181,142
Family Planning Services	21,833	88,195	29	107,583
SMI Premiums	525	61,757	85,872	145,831
Hospice	26	733	1,530	2,281
Residential Care Facility	3	2,750	2,611	5,277
Integrated Personal Care (IPC)	-	249	536	775
Clinic Services	117,174	57,234	17,844	191,086
Durable Medical Equipment	27,627	36,769	20,254	83,762
PACE	-	46	403	436
Unduplicated Total Recipients – DHHS[1]	**483,572**	**294,281**	**112,443**	**869,177**
Other State Agency Medicaid Assistance:				
Department of Mental Health	25,490	22,039	1,913	48,998
Department of Diabilities & Special Needs	8,742	10,851	635	19,794
Department of Health & Environmental Control	105,844	60,959	324	165,769
Medical University of South Carolina	4,114	1,188	27	5,312
University of South Carolina	2,485	30	-	2,510
Department of Alcohol & Other Drug Abuse Services	5,456	4,417	37	9,885
Continuum of Care	481	21	-	488
School for the Deaf & Blind	779	45	-	807
Department of Social Services	7,919	1,441	1,153	10,339
Department of Juvenile Justice	7,396	66	-	7,444
Department of Education	95,278	571	2	95,660
Commission for the Blind	79	-	-	79
Department of Corrections	4	62	21	87
Wil Lou Gray	106	2	-	107
John DeLaHowe	95	-	-	95
SC State Housing Authority	-	35	47	82
Unduplicated Total Recipients – Other Agencies[1]	**216,433**	**95,893**	**3,990**	**313,687**
Other Entities	7,529	1,332	2	8,829
Emotionally Disturbed Children	1,962	93	-	1,999
Total Unduplicated Recipients[1]	**495,487**	**301,201**	**112,489**	**886,862**

(1) Amounts are not cumulative sums of service lines but are unduplicated totals.

Income Limits

Medicaid Income Limits, by Eligibility Category

Category	Income Requirement
Aged, Blind, Disabled	100% FPL
Low-Income Medicare	135% FPL
Partners for Healthy Children	150% FPL
Option Coverage for Women & Infants	185% FPL
Working Disabled	250% FPL
Low-Income Families	50% FPL

Federal Poverty Level by Yearly Income SFY 2006

Family Size	Percent of Federal Poverty Level					
	50%	100%	135%	150%	185%	250%
1	$4,896	$9,804	$13,236	$14,700	$18,132	$24,504
2	$6,600	$13,200	$17,820	$19,800	$24,420	$33,000
3	$8,292	$16,584	$22,392	$24,900	$30,708	$41,820
4	$9,996	$19,992	$26,988	$30,000	$36,996	$50,004
5	$11,700	$23,400	$31,596	$35,100	$43,284	$58,500
6	$13,392	$26,784	$36,156	$40,200	$49,584	$66,996

Income is net of allowable disregards and deductions.

Federal Medical Assistance Percentage Rates State/Federal Match Rates

FFY	Time Period	Medicaid		Title XXI	
		State Rate	Federal Rate	State Rate	Federal Rate
2000	10/01/99-09/30/00	30.05%	69.95%	21.04%	78.97%
2001	10/01/00-09/30/01	29.56%	70.44%	20.69%	79.31%
2002	10/01/01-09/30/02	30.66%	69.34%	21.46%	78.54%
2003	10/01/02-09/30/03	30.19%	69.81%	21.13%	78.87%
2003*	04/01/03-09/30/03	27.24%	72.76%	21.13%	78.87%
2004	10/01/03-09/30/04	30.14%	69.86%	21.10%	78.90%
2004*	10/01/03-06/30/04	27.19%	72.81%	21.10%	78.90%
2005	10/01/04-09/30/05	30.11%	69.89%	21.08%	78.92%
2006	10/01/05-09/30/06	30.68%	69.32%	21.48%	78.52%

*2.95% Enhanced rate for five quarters

Current Medicaid Waivers

Community Choices Waiver – 1915(c) waiver initiated in 2006 (combines Elderly/Disabled waiver initiated in 1984 and South Carolina Choice, initiated in 2003)

The Community Choices waiver program targets disabled individuals 18 years of age or older and offers case management, personal care, companion services, attendant care, environmental modifications, enhanced environmental modifications, home delivered meals, adult day health care, adult day health care nursing, respite care, personal emergency response systems, incontinence supplies, nutritional supplements, limited durable medical equipment, and nursing facility transition services. Eligibility for the Community Choices waiver is twofold: participants are required to meet categorical and financial guidelines of Medicaid eligibility in addition to Medicaid eligibility criteria (nursing home level of care).

Number served: 11,000 (Admissions are frozen at this level; 500 additional slots were allocated in the 06-07 budget, and those 500 slots were filled by October 2006, making the new census 11,500.)
Waiting List: 2,896 as of June 2006
Expenditures: **$76,106,911**

HIV/AIDS Waiver – 1915(c) waiver initiated in 1988

The HIV/AIDS waiver program assists persons of all ages who have HIV disease or AIDS. The services help a person stay at home as long as possible and avoid extended hospital stays. The HIV/AIDS waiver offers case management, personal care, environmental modifications, enhanced environmental modifications, home delivered meals, private duty nursing, attendant care, companion care, prescription drugs, incontinence supplies, and nutritional supplements.

Number served: 1,060 as of June 2006
Waiting List: none
Expenditures: **$4,324,170**

Ventilator Dependent Waiver – 1915(c) waiver initiated in 1994

The CLTC Ventilator Dependent waiver assists persons 21 and over who are dependent upon mechanical ventilation and wish to remain in the community. The services help a person stay at home as long as possible and avoid extended hospital and sub-acute stays. The Vent waiver offers personal care, attendant care, environmental modifications, enhanced environmental modifications, private duty nursing, personal emergency response systems, institutional respite, in-home respite care, prescription drugs, specialized medical equipment and supplies, incontinence supplies, and nutritional supplements.

Number served: 31 as of June 2006
Waiting List: none
Expenditures: **$908,831**

Mental Retardation and Related Disabilities (MR/RD) Waiver (operated by SC DDSN) – 1915(c) waiver initiated in 1991

The MR/RD waiver serves individuals of any age with mental retardation or related disabilities and allows them to receive a broad range of special services to help them live in the community rather than an institution. The MR/RD waiver services include: day habilitation, supported employment, residential habilitation, prevocational services, personal care, environmental modifications, respite care, DME/assistive technology, additional prescription drugs, audiology services, speech/language services, physical therapy, occupational therapy, psychological services, behavior support services, private duty nursing, attendant care, companion care, dental services, vision services, vehicle modification, adult day health care and adult day health care nursing.

Number served: 4925 as of June 2006
Waiting List: 689
Expenditures: **$187,766,090**

Head and Spinal Cord Injury (HASCI) Waiver (operated by SC DDSN) – 1915(c) waiver initiated in 1995

The HASCI waiver serves individuals of any age with impairments involving head and/or spinal cord injuries. In addition to the financial eligibility criteria for Medicaid, participants must meet either the nursing home or ICF/MR level of care. The HASCI waiver services include: day habilitation, supported employment, residential habilitation, prevocational services, attendant care, environmental modifications, respite care, medical supplies, equipment and assistive technology, additional prescription drugs, audiology services, speech/language services, physical therapy, occupational therapy, psychological services, behavior support services, private duty nursing, vehicle modification, Health Education for Consumer Directed Care, and Peer Guidance for Consumer Directed Care.

Number served: 470 as of June 2006
Waiting List: Urgent: 84;
Regular: 275 as of June 2006
Expenditures: **$13,128,722**

Pervasive Developmental Disorder (PDD) Waiver (operated by SC DDSN) – 1915(c) waiver with expected approval from CMS by December 28, 2006.

The PDD waiver will serve individuals age 3-10 with Pervasive Developmental Disorders. In addition to the financial eligibility criteria for Medicaid, participants must meet the ICF/MR level of care. The PDD waiver services include: Service Coordination and Early Intensive Behavioral Intervention.

Number served: Will Serve up to 100 individuals
Enrollment starting 01/02/07
Waiting List: Approximately 270, as of 01/07
Expenditures: **$3,000,000 has been allocated for fiscal year 06-07**

Family Planning Waiver – 1115(a) Research Demonstration Project waiver initiated in 1993

The Family Planning Waiver (FPW) enables the state to provide only family planning services to women of reproductive age (typically between 10 – 55 years of age) with incomes at or below 185% of the Federal Poverty Level (FPL). The South Carolina Department of Health and Human Services received notification that the FPW was renewed for the period of January 1, 2005 through December 31, 2007. The primary goal is to reduce the number of unintended and unwanted pregnancies resulting in births reimbursed under the Medicaid program.

Number served: 68,445 in SFY 2006
Waiting List: None
Expenditures: **$15,235,133**

Medical Care Advisory Committee

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South Carolina Department of Health and Human Services

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