



Managing the Medicaid program to provide the best healthcare value for South Carolinians.

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Agency details proposal to reduce state Medicaid costs by \$125 million

COLUMBIA, S.C. — The South Carolina Department of Health and Human Services (SCDHHS) announced its proposal Monday to reduce state Medicaid expenditures for fiscal year 2012 by approximately \$125 million through a combination of quality improvement initiatives, provider reimbursement reductions, increased patient contributions and other strategies. The proposal is designed to control escalating Medicaid costs while ensuring the state's poor, elderly and disabled residents served by the program continue to receive vital medical care.

The proposed reductions are scheduled to take effect July 8, and are the result of months of individual meetings with Medicaid providers, provider associations, legislators and other stakeholders. The agency's goal is to preserve quality of care and access while working with stakeholders to reduce excess costs such as duplicative and unnecessary services, inefficiently delivered services and fraud.

Prior to April, South Carolina was the only state in the country prohibited by law from reducing Medicaid provider payments, which rank among the highest in the nation. Combined with a federal law prohibiting changes to Medicaid eligibility, SCDHHS had to previously make cuts to beneficiary services to reduce spending. Gov. Nikki Haley made restoring Medicaid's authority to manage the program a priority of her legislative agenda in order to put the concerns of patients first.

More than \$18.5 million of savings will be achieved through strategies other than rate reductions. Examples include:

- Working with hospitals, OB/GYNs, neonatologists and others to reduce the number of low birth weight babies born in South Carolina;
- Providing more opportunities for individuals with disabilities and the elderly to receive services in their homes and communities rather than in more expensive institutions;
- Increasing patient contribution to their care by increasing beneficiary co-payments for routine services, such as doctor and home health visits. This brings standard co-payments to the maximum amount allowed by federal law;
- Reducing increasingly over-utilized services such as elective C-section deliveries and reducing hospital readmissions.

Proposed reimbursement changes will save \$52.5 million in state dollars. These proposed changes include:

- A 2 percent reduction for primary care and pediatric specialists (excluding obstetricians, neonatologists and maternal and fetal medicine physicians);
- A 3 percent reduction in dental reimbursements;
- A 4 percent reduction for in-patient and out-patient hospital services (excluding isolated rural, small rural, and critical access hospitals);
- Elimination of payments to out of state hospitals for graduate medical education and a 10 percent reduction in these payments to in-state teaching hospitals;
- Eliminating payments for hospital acquired conditions, such as certain types of infections;
- Reductions in disproportionate share payments for uncompensated care to hospitals that actually do not perform disproportionate amounts of this care (will not take effect until October 2011);
- Other provider types received various rate reductions of up to 7 percent.

A 3 percent rate reduction instituted for all providers in April of 2011 will be annualized resulting in additional state savings of \$38.6 million. An additional \$15.4 million will be realized as part of ongoing negotiations with provider stakeholders related to further cost reductions.

SCDHHS Director Tony Keck said the cost reductions are necessary to ensure the long-term viability of the state's Medicaid program and prevent cuts to services. In the current fiscal year, SCDHHS experienced a deficit of \$228 million state dollars. The reduction plan announced Monday will allow the agency to operate within appropriated funding levels for fiscal year 2012 while encouraging improved, more efficient care, Keck said.

"Medicaid Directors in red and blue states are generally forecasting fiscal train wrecks in the coming years," Keck said. "Ultimately, the state must continue to drive excess cost out of the entire system if we are to truly have any chance of making health care more affordable to more people and to prevent health care costs from overwhelming our state budget."

A full list of proposed changes can be viewed at www.scdhhs.gov. SCDHHS is encouraging Medicaid providers and the public to submit comments on the proposal to the agency by July 6 at 5 pm. Comments can be submitted to comments@scdhhs.gov.

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