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State/Territory Name: SOUTH CAROLINA

State Plan Amendment (SPA) #: SC-23-0007

This file contains the following documents in the order listed:

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Medicaid & CHIP Services
233 North Michigan Ave., Suite 600
Chicago, Illinois 60601

Financial Management Group

December 5, 2023

Robert M. Kerr
Director
South Carolina Department of Health and Human Services
Post Office Box 8206
Columbia, SC 29202-8206

RE: **South Carolina State Plan Amendment (SPA) Transmittal Number 23-0007**

Dear Director Kerr,

We have reviewed the proposed South Carolina State Plan Amendment (SPA) to Attachment 4.19-B which was submitted to the Centers for Medicare & Medicaid Services (CMS) on September 28, 2023. This plan amendment updates the Alternative Payment Methodology (PPS) for Federally Qualified Health Centers (FQHCs).

Based upon the information provided by the State, we have approved the amendment with an effective date of July 1, 2023. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

If you have any additional questions or need further assistance, please contact Ysabel Gavino at maria.gavino@cms.hhs.gov

Sincerely,

Todd McMillion

Todd McMillion
Director
Division of Reimbursement Review

Enclosures

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB No. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1. TRANSMITTAL NUMBER: 23-0007

2. STATE: SC

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT: (●) XIX ( ) XXI

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
July 1, 2023

5. FEDERAL STATUTE/REGULATION CITATION
SSA Section 1902(bb)

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2023 $ 2,038,000
b. FFY 2024 $ 8,031,000

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 4.19-B Pages 1f.1, 1f.2

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
Attachment 4.19-B Pages 1f.1, 1f.2

9. SUBJECT OF AMENDMENT

This SPA will update the Alternate Payment Methodology (PPS) for FQHCs effective July 1, 2023.

10. GOVERNOR'S REVIEW *(Check One)*

( ) GOVERNOR'S OFFICE REPORTED NO COMMENT
( ) COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
( ) NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
(●) OTHER, AS SPECIFIED:
Mr. Kerr was designated by the Governor to review and approval all State Plans

11. SIGNATURE OF STATE AGENCY OFFICIAL
RM Kerr

12. TYPED NAME
Robert M. Kerr

13. TITLE
Director

14. DATE SUBMITTED
September 29, 2023

15. RETURN TO
South Carolina Department of Health and Human Services
Post Office Box 8206
Columbia, SC 29202-8206

FOR CMS USE ONLY

16. DATE RECEIVED
September 28, 2023

17. DATE APPROVED
December 5, 2023

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
July 1, 2023

19. SIGNATURE OF APPROVING OFFICIAL
Todd McMillion

20. TYPED NAME OF APPROVING OFFICIAL
Todd McMillion

21. TITLE OF APPROVING OFFICIAL
Director, Division of Reimbursement Review

22. REMARKS

visits per year; and OB/GYN physicians shall be 3,360 patient visits per year. Next, in order to trend the FY 2014 APM PPS rates to the prospective payment period beginning July 1, 2016, the Medicaid Agency employed the use of the midpoint to midpoint trending methodology using the IHS Global Insight 2015 Quarter 3 Forecast published December 22, 2015. For out of state border FQHCs that contract with the State Medicaid Agency or for those in-state FQHCs deemed as a low volume FQHC (i.e. provides less than 50 SC Medicaid FFS encounters during its FY 2014 reporting period), their APM PPS rate effective July 1, 2016 will be based upon its rate in effect on June 30, 2016 increased by 5.48% trend. For out of state border FQHCs that contract with the SC Medicaid Agency for the first time on or after July 1, 2016, the SC Medicaid Agency will reimburse the FQHC at the Medicaid rate in effect upon entrance into the SC Medicaid program as determined by its state's Medicaid Agency. Future Medicaid rates will be adjusted accordingly.

For those FQHCs that are not Public Health Service (PHS) grantees but are designated as "look alikes", these entities have the choice of being reimbursed under the APM PPS or baseline PPS methodology as described under section 2c of Attachment 4.19-B.

Effective for services provided on and after July 1, 2017, the July 1, 2016 APM PPS rates were increased by the calendar year 2017 Medicare Economic Index trend rate of 1.2%.

Effective for services provided on and after July 1, 2023, the APM PPS methodology is updated as described below:

Fiscal year ending 2021 cost reports were used as the base year.

The overhead cost limit increased from no more than 30% to the 75th percentile of all FQHCs under the APM methodology.

The minimum productivity levels employed to determine the payment rates – physicians shall be 3,160 patient visits per year; mid-level practitioners shall be 2,585 patient visits per year; and OB/GYN physicians shall be 3,160 patient visits per year.

Next, in order to trend the FY 2021 data to the payment period beginning July 1, 2023, the Medicaid Agency employed the use of the midpoint to midpoint trending methodology using the HIS Global Insight 2022 Quarter 3 Forecast.

Scope of Service Changes

The baseline PPS rate or the APM PPS rate will be adjusted to take into account any change (increase or decrease) in the scope of services furnished by the FQHC. A change in the cost of a service is not considered in and of itself a change in the scope of services. A change in scope will be defined as:

- A change in the type, intensity, duration, and/or amount of services or;
- Adding a South Carolina Medicaid service that was not included in the baseline PPS rate or APM PPS rate calculation or;
- Deleting a South Carolina Medicaid service that was included in the baseline PPS rate or APM PPS rate calculation or;
- Incurring a minimum five percent (5%) cost increase in overhead costs or direct medical costs as a result of the acquisition of or implementation of a singular project or equipment purchase that is not covered by any of the other scope of service change criteria.

The FQHC will be responsible for notifying the Division of Ancillary Reimbursements, in writing, of any increases or decreases in the scope of its services. A modified rate will be established based upon the allowable Medicaid reimbursable costs subject to the reasonableness definitions as described earlier and contained in the annual budget information and effective for services provided on and after the implementation of the scope of service change.

Circumstances Requiring Special Consideration/Disposition:

1. Under the APM PPS payment methodology, new FQHCs will initially be reimbursed at 100% of the all-inclusive encounter rate as determined from a review of a budget submitted by the FQHC based upon the APM payment methodology in effect prior to July 1, 2016. Reimbursement will be reconciled to actual cost on an annual basis based on the FQHC's fiscal year for a minimum period of two years before establishing the annual July 1st APM PPS rate. In the event that a new FQHC wishes to elect the PPS rate, the PPS rate established shall be equal to 100% of the reasonable costs used in calculating the rates of like FQHCs in the same or an adjacent area with a similar caseload.

2. For those FQHCs participating as a member of Medicaid Managed Care Organizations (MCOs) and receiving either APM PPS cost based or baseline PPS reimbursement, the Medicaid Agency will ensure that Medicaid MCOs, at a minimum, are reimbursing FQHCs at least 100% of the July 1, 2023 APM PPS rates on a quarterly basis. However supplemental payments will be made to the FQHCs by the Medicaid Agency only under the following conditions:

    - Dental encounters, a service not provided by SC Medicaid MCOs, will be reconciled quarterly to ensure that the FQHC will receive the Medicaid FFS payment rate for the services provided to MCO members. This process will also hold true for Medicaid fee for service (FFS) individuals receiving dental services provided by a FQHC.

    - For provider rate changes that have not been reflected in the calculation of the annual SC Medicaid MCO rates due to: (1) new FQHCs coming into the Medicaid Program under budget rates; (2) any scope of service rate changes to APM PPS rates since their base year FY 2014 cost report;(3) for FQHC providers operating under the baseline PPS rates with scope of service changes not reflected in their current baseline PPS rate and;(4) if a rate adjustment is required for any other reason than described above. In these instances, payment adjustments will be made to include encounters (FFS and MCO) until that point in time in which the revised rate of the impacted FQHC is reflected in the Medicaid MCO rates.

While quarterly WRAP payments will be made subject to the circumstances outlined within each bullet above within thirty days of receipt of the quarterly Medicaid MCO encounter data submitted from the contracting Medicaid MCOs, annual WRAP reconciliations will be performed and adjustments processed (if applicable) within sixty days after the receipt of the annual Medicaid MCO encounter data from the Medicaid MCOs. Medicaid MCOs will be required to submit the quarterly and annual FQHC encounter data within sixty days from the end of the quarter or annual period requested.