February 23, 2011

Mr. Anthony Keck, Director
South Carolina Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

Re: South Carolina Title XIX State Plan Amendment, Transmittal #10-016

Dear Mr. Keck:

We have reviewed South Carolina’s State Plan Amendment (SPA) 10-016, which was submitted to the Atlanta Regional Office on December 17, 2010. This amendment establishes the State’s expansion of the Recovery Audit Contractor (RAC) Program.

Based on the information provided, we would like to inform you that South Carolina SPA 10-016 was approved on February 18, 2011. The effective date is January 1, 2011. The signed CMS-179 and the approved plan pages are enclosed. If you have any questions regarding this amendment, please contact Tandra Hodges at (404) 562-7409.

Sincerely,

[Signature]
Jackie Glaze
Associate Regional Administrator
Division of Medicaid & Children's Health Operations

Enclosures
TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

TO: REGIONAL ADMINISTRATOR
    HEALTH CARE FINANCING ADMINISTRATION
    DEPARTMENT OF HEALTH AND HUMAN SERVICES

1. TRANSMITTAL NUMBER: SC 10-016
2. STATE: South Carolina
3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)
4. PROPOSED EFFECTIVE DATE: 1/01/11
5. TYPE OF PLAN MATERIAL (Check One):
   [☐] NEW STATE PLAN
   [☐] AMENDMENT TO BE CONSIDERED AS NEW PLAN
   [☒] AMENDMENT
   COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:
   Section 1902(a)(42)(B)(i) of the Act

7. FEDERAL BUDGET IMPACT:
   a. FFY 2011: $N/A
   b. FFY 2012: $N/A

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
   Page 36a & 36b of the Index

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):

10. SUBJECT OF AMENDMENT
    Expansion of the Recovery Audit Contractor (RAC) Program.

11. 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:
Mrs. Forkner was designated by the Governor to review and approve all State Plans

12. SIGNATURE OF STATE AGENCY OFFICIAL:

Emma Forkner

13. TYPED NAME:
    Emma Forkner

14. TITLE:
    Director

15. DATE SUBMITTED:
    December 17, 2010

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

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: 1/17/10
18. DATE APPROVED: 02/18/11
19. EFFECTIVE DATE OF APPROVED MATERIAL: 01/01/11
20. SIGNATURE OF REGIONAL OFFICIAL:

Jackie Glaze

21. TYPED NAME: Jackie Glaze

Associate Regional Administrator
Division of Medicaid & Children's Health Ops

22. TITLE:

23. REMARKS:
STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: South Carolina

SECTION 4 - GENERAL PROGRAM ADMINISTRATION
4.5 Medicaid Recovery Audit Contractor Program

<table>
<thead>
<tr>
<th>Citation</th>
<th>Details</th>
</tr>
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<tbody>
<tr>
<td>Section 1902(a)(42)(B)(i) of the Social Security Act</td>
<td>X The State has established a program under which it will contract with one or more recovery audit contractors (RACs) for the purpose of identifying underpayments and overpayments of Medicaid claims under the State plan and under any waiver of the State plan.</td>
</tr>
<tr>
<td>Section 1902(a)(42)(B)(ii)(I) of the Act</td>
<td>The State is seeking an exception to establishing such program for the following reasons:</td>
</tr>
<tr>
<td>Section 1902(a)(42)(B)(ii)(I)(aa) of the Act</td>
<td>X The State/Medicaid agency has contracts of the type(s) listed in section 1902(a)(42)(B)(ii)(I) of the Act. All contracts meet the requirements of the statute. RACs are consistent with the statute.</td>
</tr>
</tbody>
</table>

Place a check mark to provide assurance of the following:

X The State will make payments to the RAC(s) only from amounts recovered.
X The State will make payments to the RAC(s) on a contingent basis for collecting overpayments.

The following payment methodology shall be used to determine State payments to Medicaid RACs for identification and recovery of overpayments (e.g., the percentage of the contingency fee):

X The State attests that the contingency fee rate paid to the Medicaid RAC will not exceed the highest rate paid to Medicare RACs, as published in the Federal Register.

The State attests that the contingency fee rate paid to the Medicaid RAC will exceed the highest rate paid to Medicare RACs, as published in the Federal Register. The State will only submit for FFP up to the amount equivalent to that published rate.

TN No.: SC_10-016
Supersedes: Approval Date: 02-18-11 Effective Date: 01/01/11
TN No.: New Page
Revision:

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State: South Carolina

| Section 1902 (a)(42)(B)(ii)(II)(bb) of the Act | _____ The contingency fee rate paid to the Medicaid RAC that will exceed the highest rate paid to Medicare RACs, as published in the Federal Register. The State will submit a justification for that rate and will submit for FFP for the full amount of the contingency fee. |
| Section 1902 (a)(42)(B)(ii)(III) of the Act | **X** The following payment methodology shall be used to determine State payments to Medicaid RACs for the identification of underpayments (e.g., amount of flat fee, the percentage of the contingency fee): Contingency fee of 10.9% of underpayments identified. |
| Section 1902 (a)(42)(B)(ii)(IV)(aa) of the Act | **X** The State has an adequate appeal process in place for entities to appeal any adverse determination made by the Medicaid RAC(s). |
| Section 1902(a)(42)(B)(ii)(IV)(bb) of the Act | **X** The State assures that the amounts expended by the State to carry out the program will be amounts expended as necessary for the proper and efficient administration of the State plan or a waiver of the plan. |
| Section 1902 (a)(42)(B)(ii)(IV)(cc) Of the Act | **X** The State assures that the recovered amounts will be subject to a State’s quarterly expenditure estimates and funding of the State’s share. |
|  | **X** Efforts of the Medicaid RAC(s) will be coordinated with other contractors or entities performing audits of entities receiving payments under the State plan or waiver in the State, and/or State and Federal law enforcement entities and the CMS Medicaid Integrity Program. |

TN No: SC 10-016
Supersedes
TN No: New Page

Approval Date: 02-18-11 Effective Date: 01/01/11