May 31, 2011

Mr. Anthony E. 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 #11-002

Dear Mr. Keck:

We have reviewed South Carolina’s State Plan Amendment (SPA) 11-002, which was submitted to the Atlanta Regional Office on March 4, 2011. This amendment was submitted to change the Medicaid reimbursement methodology applicable to non-emergency broker transportation services. These changes included the revision of the payment methodology to a monthly flat rate payment system from the former capitated method and the inclusion of additional transportation services in the broker system.

Based on the information provided, we would like to inform you that South Carolina SPA 11-002 was approved on May 27, 2011. The effective date is March 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,

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

Enclosures
**TRANSMITTL 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

<table>
<thead>
<tr>
<th>1. TRANSMITTAL NUMBER:</th>
<th>SC 11-002</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. STATE</td>
<td>South Carolina</td>
</tr>
<tr>
<td>3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)</td>
<td></td>
</tr>
<tr>
<td>4. PROPOSED EFFECTIVE DATE</td>
<td>03/01/11</td>
</tr>
<tr>
<td>5. TYPE OF PLAN MATERIAL (Check One):</td>
<td></td>
</tr>
<tr>
<td>□ NEW STATE PLAN</td>
<td>□ AMENDMENT TO BE CONSIDERED AS NEW PLAN</td>
</tr>
</tbody>
</table>

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:
In accordance with federal regulations (42 CFR 431.53)

7. FEDERAL BUDGET IMPACT MAP
   a. FFY 2011 $1,815,648
   b. FFY 2012 $1,346,834

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
     Supplement 2 to Attachment 3.1-A, Pages 1 & 2
     Attachment 3.1-A, Limitation Supplement, pages 9c thru 9h; and
     Attachment 4.19-B, pages 6h, 6h.2, 6h.3 & 6h.4

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):
    Supplement 2 to Attachment 3.1-A, Pages 1 & 2
    Attachment 3.1-A, Limitation Supplement, pages 9c thru 9h; and
    Attachment 4.19-B, pages 6h, 6h.2, 6h.3 & 6h.4

10. SUBJECT OF AMENDMENT:
    Transportation

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

12. SIGNATURE OF STATE AGENCY OFFICIAL:
    [Signature]

13. TYPED NAME:  
    Anthony E. Keck

14. TITLE:  
    Director

15. DATE SUBMITTED:  
    March 4, 2011

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

17. DATE RECEIVED:  
    03-04-11

18. DATE APPROVED:  
    05-27-11

FOR REGIONAL OFFICE USE ONLY

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
    03-01-11

20. SIGNATURE OF REGIONAL OFFICIAL:
    [Signature]

21. TYPED NAME:  
    Jackie Galaz

22. TITLE:  
    Associate Regional Administrator
    Division of Medicare and Children’s Health Opns

23. REMARKS:  
    Approved with the following addition to Block 9:
    "Delete Atch 4.19-B, page 6h.5 from the State Plan"

FORM HCFA-179 (07-92)
STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State/Territory: South Carolina

AMOUNT, DURATION, AND SCOPE OF MEDICAL AND REMEDIAL CARE
AND SERVICES PROVIDED TO THE CATEGORICALLY NEEDY

The broker will not be a government entity. The broker will be an independent entity and may not itself provide transportation under the contract with the State, or refer or subcontract to a transportation provider with which it has a financial relationship.

Broker Services:

Non-Emergency Medical Transportation Services:

Effective July 1, 2006, the South Carolina Department of Health and Human Services will provide Non Emergency Medical Transportation Services through a Broker System. Under this system, the broker(s) will be responsible for the administration and provision of non-emergency medical transportation services provided to eligible Medicaid recipients within the state. Effective March 1, 2011, Broker providers are reimbursed monthly on the first day of the month following the month in which the services were provided.

An adjustment may be made to the monthly payment in the event that the average retail price of fuel varies by more than 20% in accordance with the following criteria:

During an abnormal disruption of the market as defined by South Carolina Code 39-5-145 in which the average retail price of fuel including taxes varies from one quarter to the next quarter by more than twenty percent (20%) according to the United States Department of Energy (DOE) quarterly average price index for the east coast region (PADD1), the broker will be required to submit an addendum to the normal monthly invoice requesting an adjustment. For adjustment requests where the fuel price index increases by more than twenty percent (20%) from the previous quarter, the adjustment will be calculated by multiplying the fuel cost line item listed on the price proposal for the months affected, by one plus the additional percentage variance above twenty percent (20%). The DOE PADD1 index and forecast information is located on the DOE US Energy Information Administration website under forecasts and analysis of the short term energy outlook (http://tonto.eia.doe.gov/cfapps/STEO_TableBuilder/index.cfm).

The broker(s) shall provide administrative oversight and reporting, recruit and negotiate contracts with transportation providers, payment administration, gate-keeping, certification and verification of need and cost-effectiveness, reservations, scheduling and trip assignments, and quality assurance.

TN NO. SC 11-002
Supersedes: Approval Date: 05-27-11 Effective Date: 03-01-11
TN No. SC 06-008
Provisions For Brokered Services

Non-Emergency Transportation (NET) services provides for beneficiary transport to and from medically necessary covered services under the Medicaid State Plan. NET services shall be provided within each region as defined by the state through the broker and in accordance with Medicaid generally accepted normal service delivery areas as required to meet the needs of the general Medicaid beneficiary population to include but not limited to dialysis and special populations for both normal business hours and after normal business hours, including weekends and holidays, as needed. Broker(s) are responsible for provision of all non-emergency transportation to include ensuring the transportation of all Medicaid eligible beneficiaries and escorts from a stated point of origin which may include prior approved meals and lodging facilities to a specific Medicaid covered service and from the covered service back to the stated point of origin. Broker-based transportation shall encompass beneficiaries who may be non-ambulatory and restricted to transport in a supine or prone position. Transportation services mode of transport will include:

- wheelchair van
- taxi
- bus passes
- airline tickets
- minibus
- passenger automobile
- van
- minivan
- non emergency ambulance transportation
- stretcher vans

TN NO.  SC 11-002  
Supersedes: Approval Date:  05-27-11    Effective Date:  03/01/11  
TN No.  SC 06-008
E. Family Planning

Family planning services should be an integral part of the medical and social care of the Medicaid eligible pregnant woman and parent of a newborn infant. The patient should be encouraged to seek and adhere to a family planning program of her choice. Family planning services are documented in the appropriate Medicaid Provider Manuals.

Existing family planning services focus on physical examinations to determine the appropriateness of a birth control method and the dispensing of the method (e.g., birth control pills, condoms). The enhanced family planning services provide for counseling and education to help pregnant women a) plan for their postpartum birth control method; b) make informed decisions regarding sterilization; and c) become aware of the potential health hazards of another pregnancy before the body has had time to heal from the current one. Existing family planning codes are not reimbursable at rates that include a provider's cost for the additional staff time to provide intensive counseling and education components. These enhanced services assure that the patient receives the vital information by accommodating the additional cost. The patient's freedom of choice for family planning services and/or family planning providers will not be restricted.

F. General Maternal Care

Antepartum and postpartum examinations are unlimited and not restricted by the Ambulatory Care visit limitations. All medical services including laboratory and x-ray are provided as medically indicated without limitations.

24.a Transportation Services

GENERAL DESCRIPTION OF SERVICES

In accordance with federal regulations (42 CFR 431.53), the NET program offers transportation services for Medicaid beneficiaries who need to secure necessary health care and have no other means of transportation. The South Carolina Medicaid program covers transportation to and from health care services when those services are covered under the Medicaid State Plan. The State Medicaid Agency utilizes a brokerage service responsible for the administration and provision of non-emergency transportation through a network of services delivery providers. The broker is responsible for determining the most appropriate level of transportation for beneficiaries and for ensuring safe and timely transportation. The broker network of providers includes non-emergency ambulance services for beneficiaries restricted to transport in a supine or prone position. Medicaid access to emergency ambulance service is unaffected.
A. Provisions For Brokered Services

The Broker(s) shall provide administrative oversight and reporting, recruit and negotiate contracts with transportation providers, payment administration, gate-keeping, certification and verification of need and cost-effectiveness, reservations, scheduling and trip assignments, and quality assurance. The broker is not a government entity. The broker is an independent entity and may not itself provide transportation under the contract with the State, or refer to or subcontract with a transportation provider with which it has a financial relationship, unless there are no other available qualified providers of transportation.

Non-Emergency Transportation Services

Non-Emergency Transportation (NET) services provides for beneficiary transport to and from medically necessary covered services under the Medicaid State Plan. NET services shall be provided within each region as defined by the State through the broker and in accordance with Medicaid generally accepted normal service delivery areas as required to meet the needs of the general Medicaid beneficiary population to include but not limited to dialysis, foster care and special populations for both normal business hours and after normal business hours, including weekends and holidays, as needed. Broker(s) are responsible for provision of all non-emergency transportation to include ensuring the transportation of all Medicaid eligible beneficiaries and escorts from a stated point of origin which may include prior approved lodging facilities to a specific Medicaid covered service and from the covered service back to the stated point of origin.

Transportation services mode of transport will include:
- wheelchair van
- taxi
- bus passes
- airline tickets
- minibus
- passenger automobile
- van
- minivan
- non-emergency ambulance transportation (stretcher)
- stretcher van

Other Types of Transport Services (Brokered)

NET services shall be provided within each region as defined by the State through the broker and in accordance with Medicaid generally accepted normal service delivery areas as required to meet the needs of the Foster Care Medicaid beneficiary population. Foster care providers are responsible for Medicaid eligible children in non-custodial and non-parental circumstances and furnish transportation by privately-owned vehicle transportation for beneficiaries to and from approved Medicaid services.

SC: 11-002
EFFECTIVE DATE: 03/01/11
RO APPROVAL: 05/27/11
SUPERSEDES: SC 06-008
Non-Emergency Ambulance Services

Non-emergency ambulance services are provided to a Medicaid covered service only when medically necessary. Medical necessity for non-emergency ambulance transport is established when the beneficiary’s medical condition prohibits any other means of transportation. Non-emergency ambulance transportation is medically necessary when the beneficiary is unable to ambulate without assistance or where it is documented that other methods of transportation would endanger the beneficiary’s health. Non-emergency ambulance services are provided when the beneficiary is non-ambulatory, restricted to transport in a supine or prone position and a health care professional certifies through SCDHHS Form 216 that the beneficiary’s health condition requires the use of an ambulance transport. Non-emergency ambulance transportation may include basic life support (BLS) and convalescent.

Coverage of Meals, Lodging and Escorts

(1) In-state services for lodging and meals for beneficiaries and escorts related to transport to Medicaid covered services, to include those provided by NET broker shall be made available to beneficiaries and attendants (escorts) and limited to prior approved arrangements and reimbursement as determined to be appropriate. When the State, in its sole discretion, determines it to be efficient, cost effective and medically necessary, an attendant may accompany the recipient to and from covered medical services. SCDHHS in its role as the Medicaid State Agency shall provide final approval for meals, lodging, an attendant (escort) and any other payments. The Broker will make a case-by-case determination of the type of lodging arrangements and amount of reimbursement as may be appropriate for in-state lodging and meals for beneficiaries and attendant (escorts).

(2) Out-of-state transportation services shall be made available to beneficiaries and escorts and limited to the arrangement or reimbursement, as may be appropriate for air fare, lodging, meals and ground transportation vehicle mileage to obtain an approved Medicaid service. When the State, in its sole discretion, determines it to be efficient, cost effective and medically necessary, an attendant may accompany the recipient to and from covered medical services. SCDHHS in its role as the Medicaid State Agency shall provide final approval for meals, lodging, and attendant (escort). The Broker will make a case-by-case determination of the type of lodging arrangements and amount of reimbursement as may be appropriate for out-of-state mode of transport (air, ground, taxi shuttle service or rental care) lodging and meals for beneficiaries and escorts. The Medicaid State Agency will make the determination of medical necessity for beneficiaries to access out-of-state services and pre-authorize all transportation related services.

SC: 11-002
EFFECTIVE DATE: 03/01/11
RO APPROVAL: 05/27/11
SUPERSEDES: SC 06-008
Prior Approval For In-State and Out-of-State Transportation and Other Related Travel Expenses

As a condition of reimbursement for Medicaid beneficiaries and approved escort transportation and other related travel services, prior approval is required by the Medicaid State Agency. Prior approval pertains to medical necessity of the service and reasonableness and appropriateness of mode of transport and related services (meals, lodging, attendant (escort) and ground transportation) for the Medicaid beneficiary and approved escort as provided by established Medicaid State Agency protocol. The Medicaid State Agency shall authorize:

a. Arrangement or reimbursement for out-of-state air fare within limits established by the state.

b. Reimbursement for in-state and out-of-state lodging and meals en route to and from medical care and while receiving medical care within guidelines established by the State for reimbursement for state employee travel.

c. Reimbursement at the established state rates for out-of-state ground vehicle rental or ground vehicle mileage for travel directly related to the origination and designation for the approved medical services facility. Coverage for vicinity mileage is limited to travel directly related to the point of origination from lodging to the point of designation to the approved medical service facility.

d. Prior approval is required for transportation outside the South Carolina Medical Service Area (SCMSA) to an approved medical service facility considered in-state. The South Carolina Medical Service Area (SCMSA) is the area of the state of South Carolina and the area within twenty-five (25) miles of the South Carolina border. If any part of the metropolitan area of a city, such as Charlotte, Augusta, Savannah, etc., is within twenty-five (25) miles of the state border, the entire metropolitan area is considered as being within the SCMSA.

Non-Covered Ambulance Services

Ambulance services are not covered without medical justification or compliance with established Medicaid State Agency protocol in the following circumstances:

(1) Routine service to and from a physician’s office.

(2) Service for ambulatory beneficiaries whose illness or injury does not justify medical necessity.

(3) If the beneficiary was pronounced dead at the scene by authorized personnel; (i.e., coroner, M.D., etc.).

(4) Service to or from a hospital outpatient department for regularly scheduled treatment.

(5) Service to or from a nursing facility to a hospital outpatient department for routine medical services.

SC: 11-002
EFFECTIVE DATE: 03/01/11
RO APPROVAL: 05/27/11
SUPERSEDES: SC 06-008
(6) Service from a hospital to a nursing facility which is out of the locality of the hospital.

(7) The ambulance was used solely because other means of transportation were unavailable, untimely or an inconvenience.

(8) The beneficiary was transferred to another facility at his/her request or that of the family for convenience.

Note: Exceptions to all of the above will be reimbursed only if the documented diagnosis, medical necessity, and circumstances adequately justify the services.

Access to Non-emergency Transportation for Dual Eligible Beneficiaries Receiving Medicare Part D Outpatient Drugs

Transportation to and from a pharmacy to obtain Part D prescription drugs is covered for full-benefit dual eligible beneficiaries and is provided through the Broker. No transportation to and from a pharmacy is available when the pharmacy delivers or can provide medications by mail order.

B. Provisions For Non-Brokered Services (FEE FOR SERVICE)

Emergency Ambulance Services

Emergency ambulance services are provided to a Medicaid covered service only when medically necessary. Medical necessity for ambulance transport is established when the beneficiary’s condition warrants and the use of any other method of transport is inappropriate. Ambulance transportation is medically necessary when the beneficiary was transported in an emergency situation (e.g., as a result of an accident, injury or acute illness). Emergency ambulance services shall include air ambulance transport by fixed and rotary wing aircraft.

Special Needs Transportation

Special Needs transportation services by specially adapted school bus are provided directly by the Local Education Agencies for Special Needs Medicaid eligible pupils when Medicaid reimbursable services are provided either on-site or through referral to school-based services subcontractors and the Medicaid reimbursable services and transportation is identified in the Individual Education Plan (IEP).

Other Types of Transport Services (Non-Brokered)

(1) NET services are provided to Medicaid eligible children who may require non-parental escort to receive therapeutic, behavioral and other Medicaid state plan services by enrolled/contracted local community-based providers. Transports are provided for Medicaid eligible children to receive such services under the Medicaid State Plan in the community or a non-school setting.
(2) NET broker services are not furnished for beneficiary transport to an Adult Day Health Care center within an exclusion zone of 15 mile radius of an Adult Day Health Care facility. Beneficiary transport within the 15 mile zone is the responsibility of the Adult Day Health Care provider. The cost of beneficiary transportation to Adult Day Health Care service within a 15 mile radius of a facility is borne by the Adult Day Health Care Provider.

(3) State agencies provide NET for transportation of special populations (e.g., generally comprised of unescorted children, consumer of mental health and therapeutic services and other special Medicaid eligible beneficiaries who require Medicaid covered services. Transports are generally provided for Medicaid eligible beneficiaries to receive mental health or behavioral treatment services at community-based providers.

(4) NET services are provided by local education agencies for off campus transport of Medicaid eligibles to and from medically necessary Medicaid covered services. Transportation services are provided during school hours for Medicaid eligible to receive Medicaid services at community-based providers or through referral to school-based services subcontractors. Transportation services are typically provided from the school to the Medicaid services and return trip to school or home. Administrative costs for schools to arrange transportation are not included in the school-based transportation program provided for in the State Plan and reimbursed by the Medicaid agency.
differentiating features are the focus of the visit and the length of time required to perform the service. The reimbursement rate for the Pre-Discharge Home Visit is 50% of the Initial Postpartum/Infant Home Visit rate.

No cost reports are required nor any cost settlements made to the state owned providers of postpartum/infant home visit services.

D. Reimbursement for Enhanced Services to non-high risk pregnant women as described in Attachment 3.1-A were discontinued on October 1, 1996.

24.a Transportation:

A. Broker Transportation Services: See Supplement 2 to Attachment 3.1-A.

B. Non-Broker Transportation Services:

**Emergency Ambulance Services:** Payment for emergency ambulance services will be the lesser of actual charges submitted by the carrier or the ceiling of the fees established by SCDHHS and published in the Ambulance Services Provider Manual. The fee schedule for ambulance services is inclusive of all supplies required during transportation to include EKG/DEF, airways, oxygen, and field drugs. The fee schedule will be applied uniformly without consideration of locality. The Agency’s rates were last updated on October 1, 2007 and are effective for services on or after that date. All rates are published in Medicaid bulletins. Except as otherwise noted in the plan, state developed fee schedule rates are the same for both governmental and private providers. For the covered Medicaid emergency ambulance services that have a comparable Medicare rate, the Medicaid fee payments will not exceed the payments calculated at one hundred percent of the Medicare Fee Schedule (in the aggregate).

**Special Needs Transportation:**

Special Needs Transportation (SNT), as defined on page 9e of Attachment 3.1-A, Limitation Supplement is reimbursed based on a statewide route rate per child. The public provider of this service, the State Department of Education (SDE), is reimbursed an interim rate, which is cost settled at year-end. Please note that the initial interim rate for SNT services was based on the cost finding process as described below, utilizing estimated costs and service statistics. Interim rates are now adjusted based on current cost trends as supported by the most recently reviewed cost report for the SNT provider (i.e. the most recently reviewed cost report establishes the next period’s interim rate.)

Description and Discussion of Cost Finding for SNT:

South Carolina is unique in that the state agency, SDE, and local school districts each contribute to the provision of school based transportation services in the state. The SDE maintains and fuels the buses and bus “shops”, assists with routing, enforces state school bus policies, and trains district drivers. School bus drivers are employees of their local school districts. Each school district also employs staff to coordinate and schedule routes for that district.

Prior to billing for SNT services for a Medicaid recipient, the districts must ensure that a Medicaid service as specified in the Medicaid’s recipient’s IEP or IFSP was provided and billed on the date of the Special Needs Transportation service. Only transportation services provided in a Special Needs bus (i.e. buses specifically adapted to serve the needs of the disabled) are eligible for reimbursement.
Total Transportation Cost Pool:

The total statewide Transportation Cost Pool is comprised of school district level accumulated costs, SDE identified student transportation costs, indirect costs and use allowances for related equipment of both SDE and the local school districts as described above.

Distribution of Cost Pool:

Since the cost pool accumulated above is based on statewide student transportation services, special needs transportation services must be carved out of statewide services.

1. Total Special Needs Mileage is accumulated for all Special Needs routes in participating school districts. Total Student Transportation Mileage is accumulated for all participating school districts. The percentage of special needs mileage to total student transportation mileage is determined.

2. The resulting Special Needs percentage is applied to the Total Transportation cost pool to determine Special Needs transportation costs.

3. A use allowance for Special Needs buses (i.e. buses specially adapted to serve the needs of disabled students), based on SDE inventory records, is determined in accordance with the use allowance provisions and policies of OMB A-87. This use allowance is added to previously determined Special Needs Transportation costs (item 2 above) to determine the Total Special Needs Transportation Cost Pool.

Utilization Data and Determination of Special Needs Route Rate:

1. A determination of the total number of enrolled Special Needs students’ routes per student per day per school year is calculated. (This number is determined by multiplying all Special Needs Student routes run daily per student by the number of school days in the school year.)

   Note: A route is defined as a one-way “trip” (ex. home to school, school to home, school to Medicaid service).

2. This utilization of Special Needs bus services is divided into the Special Needs Transportation Costs Pool to determine the Cost per Special Needs Student per route.

Other Types of Transport Services (Non-Brokered):

Targeted Populations: Other types of transports are provided to targeted Medicaid populations to Medicaid covered services. Typically these services are provided to Medicaid children who may require non-parental escort to Medicaid services, and Medicaid consumers of mental health and therapeutic services. These services may be provided by:

1) State agencies,
2) Local Education agencies (LEAs).
SNT allowable cost route rate is multiplied by the units of service to determine allowable reimbursement for SNT services for the year. This amount is then compared to accumulated interim payments for a determination of over or underpayment for SNT services.

Once the determination of (over)/under payment has been made as part of the annual desk review process, a letter informing the staff at SDE of cost settlement results is released. Coincident with the letter release is the release of either a credit adjustment to pay SDE for any underpayment due or the establishment of a DHHS receivable in order to collect any overpayment made to the provider.

The Special Needs Transportation reimbursement methodology described above will end effective June 30, 2012.

Other Types of Transport Services (Non-Brokered):

Targeted Populations: Other types of transports are provided to targeted Medicaid populations to Medicaid covered services. These services are provided to Medicaid children who may require non-parental escort to Medicaid services. These services are provided by:

1) State agencies,
2) Local Education agencies (LEAs).

The mode of transportation for services provided by the Local Education Agencies is either school buses or mini-vans. In the instances of LEAs utilizing school buses, these buses transport groups of Medicaid eligible children from home or district schools to covered Medicaid services provided by the district (i.e. Rehabilitative behavioral health services.) These buses are not specially modified buses for the physically handicapped (i.e. Special Needs Transportation).

Annually, all providers of NET services submit for approval budgets for their upcoming rate cycles. Rates are determined on a per passenger mile basis. Provider budgets, completed on the SCDHHS preprint budget, are comprised of:

State Agency and School District Providers:

1. Direct costs: Salaries and fringe benefits of drivers and escorts, vehicle fuel, repairs and maintenance. Also, insurance, taxes, licenses and registration, and/or any associated vehicle leases.
Depreciation is allowed on provider owned vehicles. A state agency or school based provider may allocate costs of fleet operations if applicable.

2. **Indirect costs**: To provide for the administrative and overhead costs the provider incurred to support the Medicaid Transportation contract, the provider is allowed to apply their specific indirect rate. For state agency providers, this will be the indirect rate as approved by USDHHS. For local school districts, this will be the unrestricted indirect rate as calculated by the SDE in cooperation with the United States Department of Education.

3. **Service Utilization Statistics**: Service units are passenger miles. As cost is based on services provided to all passengers (i.e. total passengers), annual units of service projections are based on total passenger miles.

**Annual Cost Reports (State Agency and School Based):**

Annual cost reports are required of all state agency providers of non-emergency transportation services described above to ensure that these providers have not received reimbursements in excess of actual allowable costs.

For all state agency providers of non-emergency transportation, the budgeted rate established at the beginning of the contract year represents their maximum per passenger mile reimbursement rate for the year. Cost reconciliation based on the annual cost reports of public providers is completed. If a state agency provider’s interim payments exceed the actual allowable costs of non-emergency transportation services, the SCDHHS will establish a receivable to recover the excess payments. No additional payments will be made to a provider as a result of the cost reconciliation process.

For Local Education Agencies also participating in the Administrative Claiming program, services associated with coordinating and scheduling of transportation services are specifically excluded from allowable Administrative Claiming activities.

---

SC 11-002
EFFECTIVE DATE: 03/01/11
RO APPROVAL: 05/27/11
SUPERSEDES: SC 08-021