

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Atlanta Regional Office
61 Forsyth Street, Suite 4T20
Atlanta, Georgia 30303



DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS

Mr. Anthony E. Keck
Director
Department of Health and Human Services
P.O. Box 8206
Columbia, South Carolina 29202-8206

OCT 23 2012

RECEIVED

NOV 02 2012

RE: State Plan Amendment SC 11-027

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Dear Mr. Keck:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 11-027. Effective November 1, 2011 this amendment proposes to revise the inpatient hospital reimbursement methodology for determining disproportionate share hospital payments. Specifically, the changes being proposed will establish criteria to determine general acute care and long term acute care hospitals that will be subject to a reduction in their federal fiscal year 2011/2012 disproportionate share hospital payments. The State estimates that the Federal budget impact of this SPA will be a decrease of \$6,100,000 for each of Fiscal Years 2012 and 2013.

We conducted our review of your submittal according to the statutory requirements at sections, 1902(a), 1902(a)(13), 1902(a)(30), 1903(a) and 1923 of the Social Security Act and the regulations at 42 CFR 447 Subpart C. We have found that the proposed reimbursement methodology complies with applicable requirements and therefore have approved them with an effective date of November 1, 2011. We are enclosing the CMS-179 and the amended approved plan pages.

If you have any questions, please call Anna Dubois at (850) 878-0916.

Sincerely

A handwritten signature in black ink, appearing to read "Cindy Mann". The signature is written in a cursive, flowing style.

Cindy Mann
Director, CMCS

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:
SC 11-027

2. STATE
South Carolina

FOR: HEALTH CARE FINANCING ADMINISTRATION

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

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

4. PROPOSED EFFECTIVE DATE
November 1, 2011

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:
42 CFR, Subpart C

7. FEDERAL BUDGET IMPACT: 70.24

a. FFY 2012 (~~\$6.1 Million~~)
b. FFY 2013 (~~\$6.1 Million~~)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A Pages 28, 28a & 28a.1

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

Attachment 4.19-A, Pages 28 & 28a

10. SUBJECT OF AMENDMENT:

DSH payment reductions effective November 1, 2011.

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:
Mr. Keck was designated by the Governor
to review and approve all State Plans

12. SIGNATURE OF STATE AGENCY OFFICIAL:



16. RETURN TO:

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

13. TYPED NAME:
Anthony E. Keck

14. TITLE:
Director

15. DATE SUBMITTED:
December 22, 2011

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED:

OCT 23 2012

PLAN APPROVED -- ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

NOV - 1 2011

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME: Penny Thompson

22. TITLE:

Deputy Director CMCS

23. REMARKS:

above and multiplying that by the hospital's applicable FY 2010 unadjusted inpatient and outpatient cost to charge ratios (i.e. Medicaid and Medicare) to determine the base year cost for this group. In order to inflate each hospital's base year cost determined for each group identified above, each hospital's cost will be inflated from the base year to December 31, 2010 using the applicable CMS Market Basket Indices described in 4 of this section. The inflated cost of each hospital for each group determined above will be summed and reduced by payments received from or for SC uninsured patients, SC Medicaid fee for service, SC dual eligibles, SC Medicaid eligibles who have inpatient and outpatient hospital services reimbursed by a commercial carrier, and SC Medicaid managed care patients to determine the total unreimbursed cost for each DSH hospital. However, because of Medicaid fee for service payment reductions in April 2011 and July 2011, HFY 2010 Medicaid Managed Care Payments and Medicaid Managed Care DME payments will be reduced appropriately for each hospital based upon its specific payment reduction in April 2011 or July 2011.

- i) For FFY 2012, each SCDMH hospital's interim hospital specific DSH limit will be calculated using FYE June 30, 2010 cost report data for its SC uninsured, SC dual (Medicare/Medicaid) eligible, and SC Medicaid eligibles who have inpatient hospital services reimbursed by a commercial carrier. Each hospital's total allowable cost will be inflated from the base year to December 31, 2010 using the CMS Market Basket Indices described in (A)(2) of this section. The inflated cost will be divided by total FYE June 30, 2010 acute care hospital days to determine a cost per day amount. This cost per day amount will be multiplied by the FYE June 30, 2010 acute care hospital days associated with SC uninsured, SC dual eligible, and SC Medicaid eligibles who have inpatient hospital services reimbursed by a commercial carrier to determine the total amount of cost eligible under the hospital specific DSH limit. The inflated cost of each hospital determined above will be reduced by payments received from or for SC uninsured patients, SC dual eligibles, and SC Medicaid eligibles who have inpatient and outpatient hospital services reimbursed by a commercial carrier to determine the total unreimbursed cost of each DSH hospital. In the event that any of the SCDMH hospitals provided inpatient hospital services for SC Medicaid managed care patients during FYE June 30, 2010, the previous methodology outlined above will be used to determine the unreimbursed Medicaid managed care cost to be added to the unreimbursed uninsured cost previously described.
- ii) For new S. C. general acute care hospitals which enter the SC Medicaid Program on or after October 1, 2011, their interim hospital specific DSH limits for the October 1, 2011 through September 30, 2012 Medicaid State Plan rate year (i.e. DSH payment period) will be based upon projected DSH

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- qualification, cost, charge and payment data that will be subsequently adjusted to reflect the audited DSH qualification, cost, charge and payment data resulting from the audit of the October 1, 2011 through September 30, 2012 Medicaid State Plan rate year.
- iv) The SCDHHS will create two separate DSH pools for the calculation of the interim DSH payments effective October 1, 2011. The first DSH pool will represent the unreimbursed costs of the uninsured and Medicaid eligible recipients receiving inpatient psychiatric hospital services provided by South Carolina Department of Mental Health (SCDMH) hospitals. Under this pool, the SCDMH hospitals will receive (in the aggregate) up to one hundred percent of their specific DSH limit but not to exceed the aggregate FFY 2010 base DSH allotment payment amounts of all of the SCDMH hospitals. Next, the remaining DSH allotment amount beginning October 1, 2011 will be available to the remaining DSH qualifying hospitals. In the event that the sum of the hospital specific DSH limits of the remaining DSH qualifying hospitals exceeds the remaining DSH payment amount beginning October 1, 2011, the hospital specific DSH limits will be decreased proportionately to ensure the hospital specific DSH limits are within the remaining October 1, 2011, DSH payment amount.
2. The October 1, 2011 - September 30, 2012 annual aggregate DSH payment amounts will not exceed the October 1, 2010 - September 30, 2011 annual aggregate DSH payment amounts less the savings realized from the reductions in the out-of-state border and SC non general acute care hospitals' hospital specific DSH limit calculation effective October 1, 2011.
3. Effective on or after November 1, 2011, the South Carolina Department of Health and Human Services established qualification criteria that will be used to determine those general acute care and long term acute care Disproportionate Share (DSH) hospitals that will be subject to a reduction in their federal fiscal year (FFY) 2011/2012 DSH payments. The qualification criteria will be developed using as filed hospital fiscal year (HFY) 2009 South Carolina Medicaid fee for service and uninsured individuals' total inpatient and outpatient hospital costs as well as South Carolina Medicaid Managed Care Organization (MCO) enrollees total inpatient and outpatient hospital costs which covers the period of July 1, 2008 through June 30, 2009. These costs, which will be deemed as "Medicaid Primary Costs", will be accumulated by hospital and then divided by each hospital's as filed FY 2009 total inpatient and outpatient hospital costs to determine its portion of total inpatient and outpatient hospital costs associated with providing services to low income individuals. A "Medicaid Primary Costs" statewide weighted average rate will be determined by taking the sum of the "Medicaid Primary Costs" and dividing it by the sum of the HFY 2009 total inpatient and outpatient hospital costs of all general acute and long term acute care DSH qualifying hospitals which filed a HFY 2009 cost report. All general acute care and long term acute care DSH qualifying hospitals falling under the

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statewide average rate will be subject to the FFY 2011/2012 DSH payment reduction except for those general acute care and long term acute care DSH hospitals that were exempted from the July 11, 2011 Medicaid inpatient and outpatient hospital payment reductions (i.e. these hospitals will be exempted from the DSH payment reduction previously described). New general acute care and long term acute care DSH qualifying hospitals that received DSH payments for the first time beginning in FFY 2010/2011 will also be included in the FFY 2011/2012 DSH payment reduction. Each impacted general acute care and long term acute care DSH hospital will receive its proportionate share of the annual DSH payment reduction amount based upon its FFY 2010/2011 interim DSH payment amounts. The total FFY 2011/2012 DSH payment reduction, on an annual basis, will amount to \$8,736,559 and will be recovered prior to June 30, 2012. Upon completion of the FFY 2012 Medicaid DSH audit, the "Medicaid Primary Costs" statewide average rate will be recalculated based upon audited FFY 2012 data to finalize the hospitals subject to the \$8,736,559 DSH payment reduction for FFY 2012 using the methodology previously described.

4. The following CMS Market Basket indice will be applied to the hospitals' base year cost.

CY 2010	2.1%
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- 5 All disproportionate share payments will be made by adjustments during the applicable time period.
6. Effective October 1, 2010, all interim DSH payments will become final once the redistribution of any excess DSH payments have been made based upon the findings of the October 1, 2010 through September 30, 2011 DSH audit. See section IX(C)(1)(b) for additional information.