

Dec. 17, 2015

PUBLIC NOTICE

Final Public notice for DSH Effective 2016

The South Carolina Department of Health and Human Services (SCDHHS), pursuant to the requirements of Section 1902(a)(13)(A) of the Social Security Act, gives notice of the following actions regarding its methods and standards for establishing Medicaid Disproportionate Share Hospital (DSH) payments to qualifying DSH hospitals under the State Plan under Title XIX of the Social Security Act Medical Assistance Program (Medicaid).

Effective for payments provided for the DSH allotment period which ends on September 30, 2016, SCDHHS will amend the South Carolina Title XIX reimbursement methodology for Medicaid DSH payments as follows:

- The agency will update the base year used to calculate the interim DSH payments for the DSH allotment period which ends on September 30, 2016 (FFY 2016) using hospital fiscal year end 2014 data, the continued use of the December 19, 2008 Final Rule (Federal Register / Vol. 73, No. 245) relating to the audits of the Medicaid DSH Payment Plans, and the December 3, 2014 Final Rule (Federal Register /Vol. 79, No. 232) which relates to the Medicaid Program DSH Payments Uninsured Definition.
- The agency will update the inflation rate used to trend the DSH base year cost to the end of the 2014 calendar year.
- The agency will continue the use of its qualification criteria to determine those DSH hospitals that will be subject to a reduction in their FFY 2016 DSH payments. The qualification criteria will be developed using as filed hospital fiscal year (HFY) 2013 South Carolina Medicaid fee for service and uninsured individuals' total inpatient and outpatient hospital costs, the South Carolina Medicaid Managed Care Organization (MCO) enrollees total inpatient and outpatient hospital costs, and the Medicare/Medicaid eligible and Medicaid/Commercial inpatient and outpatient hospital costs. The DSH payment reductions generated from this analysis (\$8,736,559) will be spread to the remaining SC Medicaid DSH eligible hospitals (excluding the South Carolina Department of Mental Health (SCDMH) owned hospitals).
- The agency may expend one hundred percent of its FFY 2016 Medicaid DSH allotment to qualifying DSH eligible hospitals during the Medicaid State Plan Rate Year subject to budget limitations.
- For the FFY 2016 DSH payments, the agency will continue to apply a normalization adjustment to the hospital specific DSH limits of those DSH hospitals impacted by the July 1, 2014 and October 1, 2015 Medicaid fee for service state plan amendments which normalized Medicaid inpatient hospital per discharge rates and outpatient hospital multipliers. This action will reduce the

hospital specific DSH limits of the impacted DSH hospitals. However in order to address the intensity of services provided in the outpatient hospital setting (i.e. the use of outpatient hospital clinic services versus all other ancillary services provided in an outpatient hospital setting), the Medicaid Agency will adjust the outpatient hospital normalization percentage adjustment downward based upon the ratio of total outpatient hospital clinic costs to total outpatient hospital ancillary services (including clinics) of those impacted hospitals.

- In accordance with Budget Proviso #33.22 (C) of the State Fiscal Year (SFY) 2015/2016 South Carolina State Appropriations Act, the agency will continue to create a separate \$25 million (total dollar) DSH pool from the existing FFY 2016 DSH allotment that will be spread among the South Carolina defined rural hospitals as defined in Attachment 4.19-A of the SC Medicaid State Plan. This pool payment will be in addition to the SC defined rural hospital base DSH payment amount determined in accordance with the FFY 2016 DSH payment methodology. To be eligible to receive payment under this pool, SC defined rural hospitals must participate in reporting and quality guidelines published by the agency and outlined in the Healthy Outcomes Initiative. The agency will ensure that the FFY 2016 DSH payment of each rural hospital will not exceed its hospital specific DSH limit as determined above.
- In accordance with Budget Proviso 33.22 (A) of the SFY 2015/2016 South Carolina State Appropriations Act, the agency will tie DSH payments to participation in the Healthy Outcomes Initiative and may expand the program as DSH funding is available.
- In accordance with Budget Proviso 33.27 of the SFY 2015/2016 South Carolina State Appropriations Act, the agency will continue to provide funding opportunities relating to agency defined financially distressed hospitals from the remaining balance of the \$40 million (total dollar) Transformation Pool which was derived from the FFY 2015 DSH allotment. No FFY 2016 DSH allotment funding will be used to fund the Transformation Pool.

It should be noted that all of the FFY 2016 DSH payments described above are considered interim and are subject to change based upon the results of the FFY 2016 Medicaid State Plan Rate Year DSH Audit.

SCDHHS will implement the first six bullets in order to calculate the FFY 2016 DSH payments based upon the most recent cost reporting period data available (HFY 2014) and Medicaid DSH allotment available. SCDHHS will implement the remaining bullets in order to increase accountability and transparency of funds reimbursed to hospitals under the SC Medicaid DSH Program, improve outcomes for the uninsured population, and to help qualifying hospitals identified in a Target Hospital Community to transition to a more sustainable model of service delivery that meet the needs of their community and reduce reliance on inpatient admissions, surgery, or high-tech diagnostics.

SCDHHS projects that based upon these actions, annual aggregate Medicaid DSH expenditures may increase up to the annual DSH allotment amount.

Copies of this notice are available at each County Department of Health and Human Services Office and at www.scdhhs.gov for public review. Additional information concerning these actions is available upon request at the address cited below.

Any written comments submitted may be reviewed by the public at SCDHHS, Division of Acute Care Reimbursements, 1801 Main Street, Room 1209, Columbia, South Carolina, Monday through Friday between the hours of 9:00 A.M. and 5:00 P.M.

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