

Sept. 29, 2017

PUBLIC NOTICE

Public Notice of Final Actions for FFY 2018 DSH Payments and Inpatient/Outpatient Hospital Changes

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, for potential increases to inpatient hospital per discharge rates and outpatient hospital multipliers, for updating the swing bed hospital rates, and for updating the SC Department of Mental Health long term psychiatric hospital rates under the State Plan under Title XIX of the Social Security Act Medical Assistance Program (Medicaid).

On July 28, 2017, the Centers for Medicare and Medicaid Services (CMS) published a proposed rule which outlines the methodology that CMS will employ for implementing the annual Medicaid DSH reductions required by the Affordable Care Act (ACA). ACA reduced Medicaid Disproportionate Share (DSH) hospital allotments on the assumption that there would be fewer uninsured people and less uncompensated care with the expansion of health care coverage. The Medicaid DSH cuts, initially scheduled to begin during federal fiscal year (FFY) 2014, have been delayed repeatedly but are scheduled to take place effective in FFY 2018. The proposed FFY 2018 DSH reductions nationwide will amount to a reduction of \$2.0 billion federal dollars. The SC Medicaid DSH Program's share of this reduction amounts to approximately \$70 million federal dollars, or approximately \$98 million total dollars. Therefore in the event that the FFY 2018 Medicaid DSH ACA cuts are implemented, the 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, 2018 (FFY 2018) using hospital fiscal year end 2016 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 2016 calendar year.
- The agency will expend one hundred percent of its FFY 2018 Medicaid DSH allotment to qualifying DSH eligible hospitals.
- In accordance with Budget Proviso #33.20 (C) of the State Fiscal Year (SFY) 2017/2018 South Carolina State Appropriations Act, the agency will create a separate DSH pool from the existing FFY 2018 DSH allotment that will be spread among the South Carolina defined rural hospitals as will be defined in Attachment 4.19-A of the SC Medicaid State Plan to include hospitals in persistent poverty counties as defined in recent federal law. This DSH pool may reimburse SC defined rural

hospitals up to 100% of their DSH eligible unreimbursed costs. The following classes of SC defined rural hospitals will receive the following percentages of DSH eligible unreimbursed costs:

- ✓ Hospitals designated as SC defined rural hospitals prior to October 1, 2014 will receive 100% of their DSH eligible unreimbursed cost;
 - ✓ SC hospitals designated as rural hospitals by the SC Medicaid Program for the first time effective on and after October 1, 2014 will receive 90% of their DSH eligible unreimbursed cost; and
 - ✓ Effective October 1, 2016, the SC defined rural hospital criteria was amended to include a hospital that is located within a “persistent poverty county” as defined in P.L. 112-74 that is not otherwise eligible for higher reimbursement. A hospital that qualifies under this criterion will receive 80% of its DSH eligible unreimbursed cost.
- In accordance with Budget Proviso 33.20 (A) of the SFY 2017/2018 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.

The SCDHHS will make the following change to the inpatient and outpatient hospital payment methodology effective on or after October 1, 2017 should the proposed FFY 2018 DSH ACA cuts be implemented:

- The agency will update the base component of the SC Medicaid inpatient hospital per discharge rates and outpatient hospital multipliers by 8.0% effective for discharges/services provided on and after October 1, 2017.

The SCDHHS will make the following changes to the inpatient hospital payment methodology effective on or after October 1, 2017:

- The agency will update the swing bed rates based upon the updated October 1, 2017 nursing facility payment rates.
- The agency will update the South Carolina Department of Mental Health’s (SCDMH) long term per diem psychiatric hospital rates based upon the hospital fiscal year end June 30, 2015 cost reporting period trended forward to the payment period.

The SCDHHS will implement bullets one, two, three, and four in order to calculate the FFY 2018 DSH payments based upon the most recent cost reporting period data available (HFY 2016) and Medicaid DSH allotment available. The SCDHHS will implement bullet six in the event that the FFY 2018 DSH ACA cuts are enacted. The SCDHHS will implement bullet five in order to improve outcomes for the uninsured population. The SCDHHS will update the swing bed rate (bullet seven) based upon the annual rebasing of nursing facility rates. The SCDHHS will implement bullet eight in order to update the base year 2015 SCDMH long term psychiatric hospital rates for additional trend to the new payment period.

Assuming that the FFY 2018 DSH ACA cuts are enacted, it is expected that the above actions relating to bullets one through six will be budget neutral in the aggregate. If the FFY 2018 DSH ACA cuts are not enacted, annual aggregate DSH expenditures may decrease by approximately \$1.7 million (total dollars). In regards to bullets six and seven, it is anticipated that inpatient hospital expenditures will increase by approximately \$144,000 (total dollars).

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 the SCDHHS, Division of Acute Care Reimbursements, 12th Floor, 1801 Main Street, Columbia, South Carolina, Monday through Friday between the hours of 9:00 A.M. and 5:00 P.M.

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