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Dec. 30, 2019

## PUBLIC NOTICE

**SUBJECT: Final Action for FFY 2020 DSH Payments, Inpatient/Outpatient Hospital Rates, Swing Bed Hospital and Administrative Day Rates and South Carolina Department of Mental Health Long-Term Psychiatric Hospital Rates**

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 potentially increasing inpatient hospital per discharge rates and outpatient hospital multipliers, for updating the swing bed hospital and administrative day rates and for updating the South Carolina Department of Mental Health (SCDMH) long-term psychiatric hospital rates under the State Plan under Title XIX of the Social Security Act Medical Assistance Program (Medicaid).

On Sept. 25, 2019, the Centers for Medicare and Medicaid Services (CMS) published a final rule which outlines the methodology that CMS will employ for implementing the annual Medicaid DSH reductions required by the Affordable Care Act (ACA). 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 2020. The proposed FFY 2020 DSH reductions nationwide will amount to \$4 billion federal dollars. The South Carolina Medicaid DSH Program's share of this reduction amounts to approximately \$143.2 million federal dollars, or approximately \$202.5 million total dollars. However, on December 19, 2019, the United States Senate passed H.R. 1865 which will further delay the FFY 2020 DSH reductions through May 22, 2020. Therefore to plan for this potential reduction in DSH funds, SCDHHS proposes the following changes/potential changes to its inpatient and outpatient hospital reimbursement methodologies:

### **Proposed DSH Changes Regardless of Whether or Not the FFY 2020 DSH ACA Cuts Are Implemented**

- The agency will update the base year used to calculate the interim DSH payments for the DSH allotment period, which ends on Sept. 30, 2020 (FFY 2020), using hospital fiscal year end 2018 data, the continued use of the Dec. 19, 2008, final rule (Federal Register / Vol. 73, No. 245) relating to the audits of the Medicaid DSH Payment Plans and the Dec. 3, 2014, final rule (Federal Register /Vol. 79, No. 232) relating 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 2018 calendar year.
- The agency will expend 100 percent of its FFY 2020 Medicaid DSH allotment to qualifying DSH-eligible hospitals.
- The agency will remove all normalization adjustments from the calculation of the hospital-specific DSH limits for the FFY 2020 DSH payment period.

- For the FFY 2020 DSH payment year, the SCDHHS will reimburse all South Carolina-defined rural hospitals at 100 percent of their DSH-eligible unreimbursed costs based on review of SCDHHS' current DSH payment methodology. This will also allow for 100 percent retrospective cost reimbursement for Medicaid fee-for-service (FFS) inpatient and outpatient hospital services provided by all South Carolina-defined rural hospitals.
- In accordance with Budget Proviso 33.20 (A) of the state fiscal year (SFY) 2019/2020 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.

### **Proposed Inpatient Hospital Reimbursement Changes Regardless of Whether or Not the FFY 2020 DSH ACA Cuts are Implemented**

SCDHHS will make the following changes to the inpatient hospital payment methodology effective on or after Jan. 1, 2020:

- The agency will update the swing bed and administrative day rates based on the updated Oct. 1, 2019, nursing facility payment rates.
- The agency will update the SCDMH long-term per diem psychiatric hospital rates based on the hospital fiscal year (HFY) end June 30, 2018, cost reporting period trended forward to the payment period.

### **Proposed Inpatient and Outpatient Hospital Reimbursement Changes Assuming the FFY 2020 DSH ACA Cuts are Implemented**

- In the event the FFY 2020 DSH ACA cuts are implemented, SCDHHS will increase inpatient hospital per discharge rates and outpatient hospital multipliers by approximately \$202.5 million total dollars that, in the aggregate, will offset the FFY 2020 DSH ACA cuts. SCDHHS does not guarantee budget neutrality for each impacted hospital. Please note that due to the further delay in the FFY 2020 DSH reductions through May 22, 2020, the agency will submit a separate state plan amendment (with an effective date of January 1, 2020) in order to protect the effective date of the inpatient and outpatient hospital rate/multiplier increases should the DSH reductions be implemented during FFY 2020. This SPA will be submitted prior to March 31, 2020.

SCDHHS will implement bullets one through five in order to calculate the FFY 2020 DSH payments based on the changes in the DSH payment methodology as previously noted, the most recent cost reporting period data available (HFY 2018) and Medicaid DSH allotment available. SCDHHS will implement bullet six in order to improve outcomes for the uninsured population. SCDHHS will update the swing bed and administrative day rates, bullet seven, based on the annual rebasing of nursing facility rates. SCDHHS will implement bullet eight in order to update the SCDMH long-term psychiatric hospital rates based on the most recent cost report information available (i.e. SFY 2018) as well as for trend to the new payment period. Finally, SCDHHS will implement bullet nine in the event the FFY 2020 DSH ACA cuts are enacted.

Assuming the FFY 2020 DSH ACA cuts are enacted, it is expected the above actions relating to bullets one through six and bullet nine will be budget neutral in the aggregate for private and non-state government-owned hospitals. However, this action will cause a reduction in DSH payments made to state-owned government hospitals (i.e. SCDMH hospitals) that, coupled with a rate update effective Jan. 1, 2020, will result in a net annual reduction in Medicaid FFS claims and DSH payments of approximately \$4.8 million total dollars. However, if the FFY 2020 DSH ACA cuts are not enacted, annual aggregate DSH expenditures will increase approximately \$12.4 million total dollars. In regard to bullets seven and eight, it is anticipated that inpatient hospital expenditures will increase by approximately \$670,000 total dollars.

Copies of this notice are available at each South Carolina Healthy Connections Medicaid county office and at [www.scdhhs.gov](http://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, 12<sup>th</sup> Floor, 1801 Main Street, Columbia, South Carolina, Monday through Friday between the hours of 9 a.m. and 5 p.m.

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