

PUBLIC NOTICE

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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 paying providers under the State Plan under Title XIX of the Social Security Act Medical Assistance Program (Medicaid).

Effective on or after November 1, 2012, the SCDHHS will amend the South Carolina (SC) Title XIX state plan as follows:

- (1) The agency will update the base year used to calculate the FFY 2012-2013 Disproportionate Share Hospitals (DSH) interim payments using hospital fiscal year end 2011 data, the continued use of the December 19, 2008 Final Rule, and any future clarification guidance/policy changes that may be provided by the Centers for Medicare and Medicaid Services (CMS) as it relates to the final rule.
- (2) The agency will update the inflation rate used to trend the DSH base year cost to the end of the 2011 calendar year.
- (3) The agency will revise and update its qualification criteria used to determine those Disproportionate Share (DSH) hospitals that will be subject to a reduction in their federal fiscal year (FFY) 2012-2013 DSH payments. The qualification criteria will be developed using as filed hospital fiscal year (HFY) 2010 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..
- (4) The agency will eliminate inpatient hospital retrospective cost settlements for discharges occurring on and after November 1, 2012 and begin reimbursing Medicaid inpatient hospital services using prospective payment rates. Therefore, in order to determine the proposed hospital specific inpatient prospective payment rates effective November 1, 2012, the agency will use the hospital fiscal year 2011 inpatient hospital cost to charge ratios which will be adjusted to reflect the April 8, 2011 and July 11, 2011 hospital payment reductions and an audit adjustment factor based upon each hospitals' FY 2010 cost report audit. Additionally, inpatient hospital fee for service charge and payment data for claims incurred during the period October 1, 2011 through August 31, 2012 will be used to establish agency determined cost targets for November 1, 2012 rate setting purposes.
- (5) The agency will eliminate outpatient hospital retrospective cost settlements for services incurred on and after November 1, 2012. While the October 1, 2007 statewide outpatient hospital fee schedule will not change, the hospital specific outpatient multipliers will be updated using the hospital fiscal year 2011 outpatient hospital cost to charge ratios which will be adjusted for the April 8, 2011 and July 11, 2011 hospital payment reductions and the June 1, 2012 PT, OT, and ST rate changes as well as an audit adjustment factor based upon each hospitals' FY 2010 cost report audit. Additionally, outpatient hospital fee for service charge and payment data for claims with dates of service October 1, 2011 through June 30, 2012 will be used to establish agency determined cost targets for November 1, 2012 rate setting purposes.
- (6) The agency will update the swing bed and administrative day rates to reflect the current average adjusted nursing facility rates.

Rural hospitals and burn intensive care unit hospitals that were exempted from the July 11, 2011 Medicaid inpatient and outpatient hospital payment reductions will continue to receive retrospective cost settlements at ninety-seven percent (97%) of allowable Medicaid inpatient and outpatient hospital costs and thus will not be subject to the November 1, 2012 Medicaid inpatient and outpatient hospital payment changes identified above.

The SCDHHS will implement actions (1) through (3) in order to calculate the FFY 2012-2013 DSH payments based upon the most recent cost reporting period data available (HFY 2011). The SCDHHS will implement actions (4) and (5) in order to eliminate the continuance of inpatient and outpatient hospital

retrospective cost settlements and begin reimbursing providers on a prospective basis except for those rural and burn intensive care unit hospitals that were exempted from the July 11, 2011 payment reductions. The SCDHHS will implement action (6) to reflect the change in the swing bed and administrative day rates based upon the October 1, 2012 nursing facility rate update.

The SCDHHS estimates that these actions should have a minimal financial impact and potentially could reward providers for efficiencies achieved throughout the payment year based upon HFY 2010 retrospective cost settlement data.

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

Any written comments submitted may be reviewed by the public at the Department of Health and Human Services, Division of Acute Care Reimbursement, Klondike Building, Room K120, 1813 Main Street, Columbia, South Carolina, Monday through Friday between the hours of 9:00 A.M. and 5:00 P.M.

Anthony Keck
Director
Department of Health and Human Services