

PUBLIC NOTICE

DEPARTMENT OF HEALTH AND HUMAN SERVICES

The South Carolina Department of Health and Human Services (Department), 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 for services provided on or after July 1, 2014, the Department will amend the South Carolina (SC) Title XIX state plan by normalizing the hospital specific per discharge rates and hospital specific outpatient hospital multipliers. Currently the Department calculates hospital specific Medicaid per discharge rates as well as hospital specific Medicaid outpatient multipliers for South Carolina general acute care hospitals, SC short term psychiatric hospitals, SC long term acute care hospitals, and qualifying out of state border hospitals. During this process, individual hospital cost targets are established based upon each individual hospital's cost and thus corresponding hospital specific per discharge rates and hospital specific outpatient multipliers are developed without regard to other hospital cost structures. Under the current system, the Department is paying for inefficiencies incurred by certain hospitals. Therefore, in order to discontinue the payment of inefficiencies incurred by certain hospitals, the Department will normalize hospital specific per discharge rates and hospital specific outpatient hospital multipliers by making the following changes to the inpatient and outpatient hospital payment methodologies for services provided on or after July 1, 2014:

Medicaid Inpatient Hospital Changes

- The Department will cap the base component of the hospital specific per discharge rates of the SC general acute care hospitals, SC short term psychiatric hospitals, and qualifying out of state border general acute care hospitals at the 75th percentile of the October 1, 2013 base rate component of the SC general acute care hospitals and the SC long term acute care hospitals. The Graduate Medical Education (Direct Medical Education and Indirect Medical Education) rate components will not be impacted by this change.
- A portion of the savings incurred by the Department as a result of the implementation of the 75th percentile cap will be spread to the qualifying hospitals whose base rate component of its hospital specific per discharge rate falls below the 10th percentile of the October 1, 2013 base rate component. Each qualifying hospital which falls under the 10th percentile will be reimbursed at the 10th percentile base rate component. For hospitals that are eligible to receive retrospective cost reimbursement and fall under the 10th percentile, these hospitals will be eligible to receive Medicaid inpatient reimbursement in excess of cost. However, any teaching hospital whose base rate component falls below the 10th percentile will not be eligible to receive any of the savings under this section.
- The above base rate component per discharge rate cap will also apply to those hospitals eligible for retrospective cost settlement. Therefore, maximum allowable Medicaid inpatient hospital reimbursement for SC defined rural hospitals and qualifying burn intensive care unit hospitals that are capped by the 75th percentile methodology will be the lower of allowable actual Medicaid reimbursable inpatient hospital costs or Medicaid inpatient hospital payments at the 75th percentile of the base rate component for the applicable period.

Medicaid Outpatient Hospital Changes

- The Department will cap the hospital specific outpatient hospital multipliers at the 75th percentile of the October 1, 2013 hospital specific outpatient hospital multipliers of the SC general acute care hospitals, the SC long term acute care hospitals, and the qualifying out of state border general acute care hospitals which receive its own hospital specific outpatient hospital multiplier. The Graduate Medical Education (Direct Medical Education) component of the hospital specific outpatient multipliers will not be impacted by this change for those teaching hospitals whose hospital specific outpatient multiplier exceeds the 75th percentile.
- A portion of the savings incurred by the Department as a result of the implementation of the 75th percentile cap will be spread to the qualifying hospitals whose hospital specific outpatient multiplier falls below the 10th percentile of the October 1, 2013 hospital specific outpatient hospital multipliers. Each qualifying hospital which falls under the 10th percentile will be reimbursed at the 10th percentile hospital specific outpatient multiplier. For hospitals that are eligible to receive retrospective cost reimbursement and fall under the 10th percentile, these hospitals will be eligible to receive Medicaid outpatient hospital reimbursement in excess of cost. However, any teaching hospital whose hospital specific outpatient multiplier falls below the 10th percentile will not be eligible to receive any of the savings under this section.
- The above 75th percentile hospital specific outpatient multiplier cap will also apply to those hospitals eligible for retrospective cost settlement. Therefore, maximum allowable Medicaid outpatient hospital reimbursement for SC defined rural hospitals and qualifying burn intensive care unit that are capped by the 75th percentile methodology will be the lower of allowable actual Medicaid reimbursable outpatient hospital costs or Medicaid outpatient hospital payments at the 75th percentile for the applicable period.

As a result of the above actions, annual aggregate Medicaid fee for service inpatient and outpatient hospital expenditures for services provided on or after July 1, 2014 will decrease by approximately \$9.6 million (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 regarding 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.

Anthony E. Keck
Director
Department of Health and Human Services