

**South Carolina Department of Health and Human Services  
Medical Care Advisory Committee  
Item for Committee Advisement**

**PREPARED BY:** Jeff Saxon, Bureau of Reimbursement Methodology and Policy

**PRESENTED BY:** Ruth Johnson, Deputy Director of Finance and Administration

**DATE:** July 27, 2012

**SUBJECT:** Hospital Reimbursement Update Effective October 1, 2012

**OBJECTIVE:** To eliminate retrospective cost settlements for inpatient and outpatient hospital services provided by qualifying in state and certain out of state border general acute care hospitals for discharges and/or services provided prior to October 1, 2012. To update the inpatient hospital specific per discharge rates and the hospital specific outpatient multipliers effective for discharges and/or services provided on and after October 1, 2012 using the most recent Medicaid inpatient and outpatient cost to charge ratios available and adjusted to take into account the April 8, 2011 and July 11, 2011 hospital payment reductions and an audit adjustment factor based upon HFY 2010 cost report audits. To update the Medicaid Disproportionate Share Hospital (DSH) payments effective October 1, 2012 using more current data calculated in accordance with the state plan methodology.

**BACKGROUND:** The SCDHHS will eliminate retrospective cost settlements for discharges occurring on and after October 1, 2012 and will begin reimbursing Medicaid inpatient and outpatient hospital services using prospective payment rates. Therefore, in order to determine the prospective payment rates effective October 1, 2012, inpatient and outpatient reimbursement methodologies will be updated to reflect changes in costs and services provided to SC Medicaid recipients. This will be accomplished through the use of hospital fiscal year 2011 or 2010 inpatient and outpatient hospital cost to charge ratios, adjusted for the April 8, 2011 and July 11, 2011 hospital payment reductions and an audit adjustment factor based upon HFY 2010 cost report audits. Additionally, inpatient hospital fee for service charge and payment data for claims incurred during the period October 1, 2011 through June 30, 2012 and 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 October 1, 2012 rate setting purposes.

DSH payments will be determined using more current data including changes described above and will not exceed the federal fiscal year 2010/2011 Medicaid DSH allotment amount (less the state fiscal year 2012 payment reductions).

**BUDGETARY IMPACT:** The annual cost increase relating to the October 1, 2012 rate above changes are expected to be minimal and within budgeted amounts for inpatient and outpatient hospital services for SFY 2013. DSH payments during SFY 2013 are not expected to increase over SFY 2012 payment amounts.

**EXPECTED OUTCOMES:** Inpatient and outpatient hospital services provided to Medicaid and Uninsured recipients will be maintained/may improve.

**EXTERNAL GROUPS AFFECTED:** Hospitals, Medicaid MCOs, plus Medicaid and Uninsured recipients.

**RECOMMENDATION:** Move to amend the current state plan to provide for the updates reflected above for the inpatient/outpatient/DSH payment updates effective October 1, 2012.

**EFFECTIVE DATE:** October 1, 2012