

Aug. 30, 2017

PUBLIC NOTICE

Public Notice of Proposed 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 proposed 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 proposes to amend the South Carolina Title XIX reimbursement methodology for Medicaid DSH payments as follows:

- The agency proposes to 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 proposes to update the inflation rate used to trend the DSH base year cost to the end of the 2016 calendar year.
- The agency proposes to expend one hundred percent of its FFY 2018 Medicaid DSH allotment to qualifying DSH eligible hospitals.
- The agency proposes to seek comments from interested parties regarding the development of a methodology to use in allocating the proposed FFY 2018 DSH ACA cuts.

- In accordance with Budget Proviso #33.20 (C) of the State Fiscal Year (SFY) 2017/2018 South Carolina State Appropriations Act, the agency proposes to 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 are proposed to receive the following percentages of DSH eligible unreimbursed costs:
 - ✓ Hospitals designated as SC defined rural hospitals prior to October 1, 2014 may 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 may 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 may 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 proposes to tie DSH payments to participation in the Healthy Outcomes Initiative and may expand the program as DSH funding is available.

The SCDHHS proposes to 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 proposes to update inpatient hospital per discharge rates and outpatient hospital multipliers by approximately \$98 million total dollars in the aggregate for both the SC Medicaid fee for service and SC Medicaid Managed Care programs to account for the proposed reduction in FFY 2018 DSH payments.

The SCDHHS proposes to 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.

SCDHHS proposes to implement bullets one, two, three, and five 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. SCDHHS proposes to implement bullets four and seven in the event that the FFY 2018 ACA DSH cuts are enacted. The SCDHHS proposes to implement bullet six in order to improve outcomes for the uninsured population. The SCDHHS proposes to update the swing bed rate (bullet eight) based upon the annual rebasing of nursing facility rates. The SCDHHS proposes to implement bullet nine 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 seven will be budget neutral in the aggregate. If the FFY 2018 DSH ACA cuts are not enacted, annual aggregate DSH expenditures will decrease by approximately \$1.3 million (total dollars). In regards to bullets eight and nine, 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.

Written comments may be sent to the Reimbursement Methodology and Policy Department, SCDHHS, Post Office Box 8206, Columbia, South Carolina 29202-8206. Comments may also be submitted to comments@scdhhs.gov. Written and e-mailed comments must be received by close of business September 28, 2017.

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.

Deirdra T. Singleton
Acting Director
South Carolina Department of Health and Human Services

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