

Aug. 30, 2021

## PUBLIC NOTICE

### **Public Notice of Proposed Action for FFY 2022 DSH Payments, Updated Swing Bed Hospital and Administrative Day Rates, Elimination of the July 1, 2014 and October 1, 2015 Normalization Actions on Inpatient Hospital Per Discharge Rates/Outpatient Hospital Multipliers, Updated Psychiatric Residential Treatment Facility (PRTF) Rates, Updated SCDMH Hospital Per Diem Rates and Amended South Carolina Medicaid Defined Rural Hospital Criteria**

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, updating swing bed hospital and administrative day rates, eliminating the July 1, 2014 and Oct. 1, 2015 normalization actions applicable to inpatient hospital per discharge rates/outpatient hospital multipliers, updating Psychiatric Residential Treatment Facility (PRTF) rates, updating South Carolina Department of Mental Health (SCDMH) hospital per diem rates and, amending the South Carolina Medicaid defined rural hospital criteria.

The Consolidated Appropriations Act of 2021 has further delayed implementation of the DSH Patient Protection and Affordable Care Act (ACA) reductions until fiscal year 2024. The DSH ACA reductions will now be implemented beginning with fiscal year 2024 and ending with fiscal year 2027. The DSH reductions will amount to \$8.0 billion federal dollars each year over a four-year period.

#### **Proposed DSH Changes Effective October 1, 2021**

- The agency proposes to analyze the use of the fiscal year ending 2020 base year cost reporting period to calculate the interim DSH payments for the Oct. 1, 2021, thru Sept. 30, 2022, DSH payment period due to the potential impact of the public health emergency declared in March 2020 on hospital operations. The agency will continue the 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 proposes to implement the provisions of the Consolidated Appropriations Act of 2021 relating to the determination of the Medicaid Shortfall for South Carolina Medicaid DSH payment purposes. Under the Act, the costs of Medicaid eligible patients with third-party sources of coverage, where the third-party source of coverage is the primary payer, will be excluded from the calculation of the hospital specific DSH limits and resulting DSH payments.

- The agency proposes to update the inflation rate used to trend the DSH base year cost to the end of the 2020 calendar year.
- The agency proposes to expend 100 percent of its FFY 2022 Medicaid DSH allotment to qualifying DSH-eligible hospitals during the Medicaid State Plan Rate Year.
- In accordance with Budget Proviso 33.20 (A) of the state fiscal year (SFY) 2021/2022 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 and Outpatient Hospital Reimbursement Changes Effective Oct. 1, 2021**

- The agency proposes to update the inpatient hospital swing bed and administrative day rates based upon the Oct. 1, 2021, rebasing of nursing facility payment rates.
- The agency proposes to eliminate the impact of the July 1, 2014, and Oct. 1, 2015, normalization actions on inpatient hospital per discharge rates/outpatient hospital multipliers for those hospitals impacted by these actions.
- The agency proposes to update the SCDMH hospitals per diem rates based upon the use of the fiscal year (FY) 2020 cost report.
- The agency proposes to amend its current South Carolina Medicaid Defined Rural Hospital definition to allow hospitals located in a Large Rural Zip Code Tabulation Area (ZCTA) and Primary Care Health Professional Shortage Area (HPSA) for low-income population and has less than or equal to 130 beds to be eligible for retrospective Medicaid cost settlements and DSH reimbursement at 100% of their individual hospital specific DSH limit. This additional rural hospital criteria will add two hospitals to the South Carolina Defined Rural Hospital list, Cherokee Medical Center and Kershaw Health and is based upon the May 8, 2014, study conducted by the Division of Policy and Research on Medicaid and Medicare, Institute for Families in Society, University of South Carolina.

#### **Proposed PRTF Reimbursement Changes Effective Oct. 1, 2021**

- The agency proposes to update the PRTF reimbursement rates based upon the use of the fiscal year ending 2019 Medicaid cost reports and the use of a trend factor using the midpoint-to-midpoint trending methodology and the use of the Global Insight Service Indexes – Inpatient Psych Facilities.

For DSH changes, SCDHHS proposes to implement bullets one through four in order to calculate the FFY 2022 DSH payments based on the changes in the DSH payment methodology as previously noted, the use of the most recent cost reporting period data available (HFY 2020) unless the impact of the National Health Emergency negatively impacts hospital operations and thus warrants the continued use of the HFY 2019 base year data, and Medicaid DSH allotment available. SCDHHS proposes to implement bullet five in order to improve outcomes for the uninsured population.

For inpatient and outpatient hospital changes, SCDHHS proposes to update the swing bed and administrative day rates, update SCDMH hospital reimbursement rates, remove the impact of the July 1, 2014, and Oct. 1, 2015, normalization actions on inpatient hospital per discharge rate/outpatient hospital multipliers and update the South Carolina Defined Rural Hospital criteria. SCDHHS is proposing these changes in order to provide reimbursement based upon more recent cost report data (including updated nursing facility rates), eliminate caps placed on certain hospitals' inpatient hospital per discharge rate/outpatient hospital multipliers, and further protect rural hospitals in South Carolina.

For PRTF changes, SCDHHS proposes to update the payment rates using the most recent pre-COVID-19 cost report data available.

As a result of the proposed actions listed above, the annual projected cost increases are as follows (in total dollars) – DSH - \$10.0 million; Swing Bed Rates – budget neutral; Elimination of July 1, 2014, and Oct. 1, 2015, Normalization Actions on Inpatient Hospital Per Discharge Rates/Outpatient Hospital Multipliers - \$5.0 million; Additional Rural Hospitals - \$.6 million and PRTFs - \$.3 million.

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 the proposed actions above are available upon request at the address cited below.

Written comments may be sent to the SCDHHS, Division of Acute Care/Ancillary Reimbursements, Post Office Box 8206, Columbia, S.C. 29202-8206. Comments may also be submitted to [comments@scdhhs.gov](mailto:comments@scdhhs.gov). All comments must be received by 5 p.m. Sept. 29, 2021.

Any written comments submitted may be reviewed by the public at the SCDHHS, Division of Acute Care/Ancillary Reimbursements, Room 1219, 1801 Main Street, Columbia, S.C., Monday through Friday between 9 a.m.-5 p.m.

Robert M. Kerr  
Director

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