

## PUBLIC NOTICE

### SOUTH CAROLINA 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 establishing Medicaid Disproportionate Share Hospital (DSH) payments to qualifying DSH hospitals under the State Plan under Title XIX of the Social Security Act Medical Assistance Program (Medicaid).

Effective for payments provided for the DSH allotment period which ends on September 30, 2015 and effective December 31, 2014, SCDHHS will amend the South Carolina Title XIX reimbursement methodology for Medicaid DSH payments as follows:

- The agency will update the base year used to calculate the interim DSH payments for the DSH allotment period which ends on September 30, 2015 (FFY 2015) using hospital fiscal year end 2013 data, the use of the December 19, 2008 Final Rule (Federal Register / Vol. 73, No. 245), and the use of the December 3, 2014 Final Rule (Federal Register / Vol. 79, No. 232).
- The agency will update the inflation rate used to trend the DSH base year cost to the end of the 2013 calendar year.
- The agency will continue the use of its qualification criteria to determine those DSH hospitals that will be subject to a reduction in their FFY 2015 DSH payments. The qualification criteria will be developed using as filed hospital fiscal year (HFY) 2012 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. The DSH payment reductions generated from this analysis will be spread to the remaining SC Medicaid DSH eligible hospitals (excluding the South Carolina Department of Mental Health (SCDMH) owned hospitals).
- The agency will increase the hospital specific DSH limit of the out of state border hospitals and any SC non general acute care hospital that qualifies for the SC Medicaid DSH Program from 50% to 60% when determining FFY 2015 DSH payments.
- For the FFY 2015 DSH payments, the agency will apply a normalization adjustment to the hospital specific DSH limits of those DSH hospitals impacted by the July 1, 2014 Medicaid fee for service state plan amendments which normalized Medicaid inpatient hospital per discharge rates and outpatient hospital multipliers. This action will reduce the hospital specific DSH limits of the impacted DSH hospitals.
- In accordance with Budget Proviso #33.26 (C) of the State Fiscal Year (SFY) 2014/2015 South Carolina State Appropriations Act, the agency will create a separate \$25 million (total dollar) DSH pool from the existing FFY 2015 DSH allotment that will be spread among the South Carolina defined rural hospitals as defined in Attachment 4.19-A of the SC Medicaid State Plan. This pool payment will be in addition to the SC defined rural hospital base DSH payment amount determined in accordance with the FFY 2015 DSH payment methodology. To be eligible to receive payment under this pool, SC defined rural hospitals must participate in reporting and quality guidelines published by the agency and outlined in the Healthy Outcomes Initiative. The agency will ensure that the FFY 2015 DSH payment of each rural hospital will not exceed its hospital specific DSH limit as determined above.
- The agency will require continued participation in the Healthy Outcomes Initiative (i.e. HOP Program) in order for the hospital to receive its calculated DSH payment for FFY 2015.
- In accordance with Budget Proviso 33.33 of the SFY 2014/2015 South Carolina State Appropriations Act, the agency will create a separate \$40 million (total dollar) Transformation Pool from the existing FFY 2015 DSH allotment that will be spread to qualifying DSH hospitals based upon the following criteria. In the event that the \$40 million Transformation Pool is not expended by September 30, 2015, the remaining balance (adjusted for the change in the annual FFP rates) will carry over into the FFY 2016 DSH payment period.

### Hospital Transformation:

1. "Advising Hospital" shall be defined as a hospital that is a DSH-eligible hospital pursuant to Section II.12 of Attachment 4.19-A.
2. "Target Hospital Community" shall be defined as a community that includes a hospital that meets the following criteria:
  - a. The hospital must be a DSH-eligible hospital pursuant to Section II.12 of Attachment 4.19-A.
  - b. The hospital must fit one of the following three criteria based upon the SC defined rural hospital definition in effect prior to October 1, 2014:
    - i. A Critical Access Hospital (CAH), an isolated rural hospital, or a small rural hospital (as designated by SCDHHS).
    - ii. A large rural hospital (as designated by SCDHHS) with a loss from patient services of greater than \$5,000,000 reported in the HFY13 Medicare 2552-10 cost report on file with SCDHHS as of September 2, 2014.
    - iii. A non-rural hospital (as designated by SCDHHS) with the following characteristics:
      1. A loss from patient services of greater than \$5,000,000 reported in the HFY13 Medicare 2552-10 cost report on file with SCDHHS as of September 2, 2014.
      2. A profit of no more than \$5,000,000 reported in the HFY13 Medicare 2552-10 cost report on file with SCDHHS as of September 2, 2014.
      3. A physical location within 50 miles of a High Deprivation Area as defined by the USC Institute for Families in Society's Palmetto Small Area Deprivation Index as of October 1, 2013.
3. A "Qualifying Contract" shall be defined as a contract that meets the following criteria:
  - a. The contract must be between SCDHHS and the Advising Hospital.
  - b. The contract must provide the details of a proposed relationship between the Advising Hospital and a specific Target Hospital Community.
    - i. The proposed relationship must be a long-term financial commitment of at least ten (10) years.
    - ii. The proposed relationship must not result in a net increase in the number of hospital facilities in the Target Hospital Community.
  - c. The contract must provide a detailed description of the Advising Hospital's plan to achieve economic viability and sustainability within the Target Hospital Community and a timeline for the implementation of the plan.
  - d. The contract must explain how the plan will meet the needs of the community and reduce reliance on inpatient admissions, surgery, or high-tech diagnostics.
  - e. The contract must contain an averment from the Advising Hospital that the Target Hospital Community accepts the plan.
4. A separate DSH pool of \$40,000,000 in state and federal funds shall be created for allocation to Advising Hospitals.
5. For each Qualifying Contract executed before June 30, 2015, SCDHHS may allocate the Advising Hospital up to \$4,000,000 from the Transformation Pool.
6. An Advising Hospital may be party to multiple Qualifying Contracts, but each Qualifying Contract must relate to a unique Target Hospital Community.
7. Any funds not expended from the Transformation Pool by September 30, 2015 (adjusted for the change in the annual FFP rates) will carry over into the October 1, 2015 through September 30, 2016 DSH payment period for distribution to qualifying DSH hospitals.
8. Failure of the Advising Hospital to comply with the terms of the Qualifying Contract may, at the sole discretion of SCDHHS, result in recoupment of funds awarded under this Section.
9. An Advising Hospital may not be reimbursed more than its hospital specific DSH limit as described in Attachment 4.19-A when payments made under Section 5 are added to base DSH payments as determined in Attachment 4.19-A.

Hospitals in a Target Hospital Community are as follows:

Abbeville Area Medical Center	CAH
Allendale County Hospital	CAH
Barnwell County Hospital	Small Rural
Carolinas Hospital System - Marion	Small Rural
Chesterfield General Hospital	Small Rural
Clarendon Memorial Hospital	Isolated Rural
Coastal Carolina Hospital	Isolated Rural
Edgefield County Hospital	CAH
Fairfield Memorial Hospital	CAH
Hampton Regional Medical Center	Small Rural
Kershaw County Medical Center	Non-Rural
Lake City Community Hospital	Small Rural
Marlboro Park Hospital	Large Rural
Wallace Thomson Hospital	Large Rural
Tuomey Regional Medical Center	Non-Rural
Williamsburg Regional Hospital	CAH

It should be noted that all of the FFY 2015 DSH payments described above are considered interim and are subject to change based upon the results of the FFY 2015 Medicaid State Plan Rate Year DSH Audit.

SCDHHS will implement the first five bullets in order to calculate the FFY 2015 DSH payments based upon the most recent cost reporting period data available (HFY 2013) and Medicaid DSH allotment available. SCDHHS will implement the remaining bullets in order to increase accountability and transparency of funds reimbursed to hospitals under the SC Medicaid DSH Program, improve outcomes for the uninsured population, and to help qualifying hospitals identified in a Target Hospital Community to transition to a more sustainable model of service delivery that meet the needs of their community and reduce reliance on inpatient admissions, surgery, or high-tech diagnostics.

SCDHHS projects that based upon the above actions, annual aggregate Medicaid DSH expenditures will increase by approximately \$7,420,522.

Copies of this notice are available at each County Department of Health and Human Services Office and at [www.scdhhs.gov](http://www.scdhhs.gov) for public review. Additional information concerning these actions is available upon request at the address cited below.

Any written comments submitted may be reviewed by the public at the SCDHHS, Division of Acute Care Reimbursements, Room 1209, 1801 Main Street, Columbia, South Carolina, Monday through Friday between the hours of 9:00 A.M. and 5:00 P.M.

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