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Aug. 16, 2019

## PUBLIC NOTICE

**SUBJECT: Proposed Action for Setting Payment Rates for Long Term Care Facility Services  
(Excluding State-owned Nursing Facilities)**

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 setting payment rates for long-term care facility services (excluding state-owned nursing facilities) under the South Carolina Medicaid State Plan (State Plan) under Title XIX of the Social Security Act Medical Assistance Program (Medicaid).

Effective for services provided on or after Oct. 1, 2019, the SCDHHS proposes to amend the South Carolina Title XIX reimbursement methodology for long term care by:

1. Providing payments to nursing facilities based on the most recent cost report data available (i.e., fiscal year end (FYE) Sept. 30, 2018);
2. Requiring nursing facilities to report costs associated with the operation of the Medicaid-certified beds only;
3. Updating the cost center standards based upon the FYE Sept. 30, 2018, Medicaid cost reports;
4. Applying a 2.7% inflation factor in the calculation of the Oct. 1, 2019, payment rates;
5. Annualizing the nine months of Non-Emergency Medical Transportation (NEMT) costs reported in the FYE September 30, 2018, cost reports to determine the preliminary NEMT add-on amount effective October 1, 2019. To account for outlier utilization shifts based on the actual acuity and clinical need of the provider's beneficiary population observed during the agency's review of the Jan. 1-June 30, 2018, NEMT data, the agency will reimburse those impacted providers the lower of the two add-on amounts (either the Oct. 1, 2018, NEMT add-on or the preliminary October 1, 2019, NEMT add-on);
6. Replacing the former modified fair rental value system with an updated fair rental value system to reimburse contracting private and non-state-owned government nursing facilities for capital-related expenditures; and,
7. Reimbursing impacted nursing facilities for Medicaid's share of Hurricane Florence-related evacuation costs due to the mandatory evacuation issued by the governor.

SCDHHS is proposing actions 1, 3, 4, and 5 in order to determine Medicaid reimbursement rates based upon the most recent cost report data available. SCDHHS is proposing action 7 in order to provide payment to impacted nursing facilities for Medicaid's portion of costs related to the governor's mandatory evacuation issued as a result of Hurricane Florence.

SCDHHS is proposing actions 2 and 6, which will replace the current modified fair rental value system with an updated fair rental value system to address the aging SC Medicaid nursing facility cost of capital reimbursement system. Under the updated fair rental value system, nursing facilities will receive all capital-related reimbursement through this formula. Reimbursement under the new system will be based upon an established building cost per square foot, with allowances built in for land and moveable equipment. Building square footage associated with common areas will be adjusted accordingly for non-reimbursable cost centers (other than for complex care). Income offsets, as described in Provider Reimbursement Manual HIM-15, section 202.2 (C), will continue to be offset against allowable capital reimbursement. Specialty vehicle auto depreciation expense will continue to be allowed in accordance with the current State Plan guidelines. Finally, to ensure the new funding provided under this policy is directed towards capital-related (i.e. building and equipment) needs, SCDHHS proposes to develop policy over the next few weeks that will provide for a yet-to-be-determined percentage reduction or per patient day cut in capital reimbursement if baseline spending requirements are not met by any nursing facility after the second year of reimbursement provided under the new system.

As a result of the proposed actions relating to the Medicaid reimbursement methodology changes for nursing facilities effective for services provided on or after October 1, 2019, the weighted average rate is projected to be \$194.10. The weighted average Sept. 30, 2019, rate was \$184.62. This represents a weighted average per diem increase of \$9.48 per Medicaid patient day, or a 5.13% increase.

SCDHHS projects that based upon the proposed actions, annual aggregate expenditures will increase by approximately \$37 million (\$20 million rate rebasing and \$17 million capital) total dollars including Medicaid days paid while the recipient is under the hospice benefit.

Copies of this notice are available at each SCDHHS Healthy Connections Medicaid office and at [www.scdhhs.gov](http://www.scdhhs.gov) for public review. Additional information concerning the proposed actions is available upon request at the address cited below.

Written comments may be sent to the SCDHHS, Division of Long Term Care 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. 15, 2019.

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

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