

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 proposed actions regarding its methods and standards for paying providers under the State Plan under Title XIX of the Social Security Act Medical Assistance Program (Medicaid).

Effective on or after October 1, 2015, the SCDHHS proposes to amend the South Carolina (SC) Title XIX state plan as follows:

- (1) The agency proposes to cap the base component of the hospital specific per discharge rates of the SC general acute care hospitals, SC short term psychiatric hospitals, and qualifying out of state border general acute care hospitals at the 65th percentile of the October 1, 2014 base rate component of the SC general acute care hospitals and the SC long term acute care hospitals. The Graduate Medical Education (Direct Medical Education and Indirect Medical Education) rate components will not be impacted by this change.
- (2) The agency proposes to take a portion of the savings incurred as a result of the implementation of the 65th percentile cap and spread to the qualifying hospitals whose base rate component of its hospital specific per discharge rate falls below the 15th percentile of the October 1, 2014 base rate component. Each qualifying hospital which falls under the 15th percentile will be reimbursed at the 15th percentile base rate component. For hospitals that are eligible to receive retrospective cost reimbursement and fall under the 15th percentile, these hospitals will be eligible to receive Medicaid inpatient reimbursement in excess of cost. However, any teaching hospital whose base rate component falls below the 15th percentile will not be eligible to receive any of the savings under this section.
- (3) The agency proposes that the 65th percentile base rate component per discharge rate cap will also apply to those hospitals eligible for retrospective cost settlement. Therefore, maximum allowable Medicaid inpatient hospital reimbursement for SC defined rural hospitals and qualifying burn intensive care unit hospitals that are capped by the 65th percentile methodology will be the lower of allowable actual Medicaid reimbursable inpatient hospital costs or Medicaid inpatient hospital payments at the 65th percentile of the base rate component for the applicable period.
- (4) The agency proposes to update the revised October 1, 2014 hospital specific per discharge rates for all eligible hospitals that receive hospital specific per discharge rates after actions (1) and (2) have been implemented based upon the implementation of version 32 of the APR-DRG grouper and updated relative weights. This grouper version will be used to price SC Medicaid inpatient hospital per discharge claims effective for discharges incurred on and after October 1, 2015 using the October 1, 2015 hospital specific per discharge rates. The agency proposes to use State Fiscal Year 2013 incurred claims data during this repricing process as well as the application of a two percent "upcoding" adjustment.
- (5) The agency proposes to cap the hospital specific outpatient hospital multipliers at the 65th percentile of the October 1, 2014 hospital specific outpatient hospital multipliers of the SC general acute care hospitals, the SC long term acute care hospitals, and the qualifying out of state border general acute care hospitals which receive hospital specific outpatient hospital multiplier for services provided on and after October 1, 2015. The Graduate Medical Education (Direct Medical Education) component of the hospital specific outpatient multipliers will not be impacted by this change for those teaching hospitals whose hospital specific outpatient multiplier exceeds the 65th percentile.
- (6) The agency proposes to take a portion of the savings incurred as a result of the implementation of the 65th percentile cap and spread to the qualifying hospitals whose hospital specific outpatient multiplier falls below the 15th percentile of the October 1, 2014 hospital specific outpatient hospital multipliers. Each qualifying hospital which falls under the 15th percentile will be reimbursed at the 15th percentile hospital specific outpatient multiplier for services provided on and after October 1, 2015. For hospitals that are eligible to receive retrospective cost reimbursement and fall under the 15th percentile, these hospitals will be eligible to receive Medicaid outpatient hospital

reimbursement in excess of cost. However, any teaching hospital whose hospital specific outpatient multiplier falls below the 15th percentile will not be eligible to receive any of the savings under this section.

- (7) The agency proposes that the 65th percentile hospital specific outpatient multiplier cap will also apply to those hospitals eligible for retrospective cost settlement. Therefore, maximum allowable Medicaid outpatient hospital reimbursement for SC defined rural hospitals and qualifying burn intensive care unit that are capped by the 65th percentile methodology will be the lower of allowable actual Medicaid reimbursable outpatient hospital costs or Medicaid outpatient hospital payments at the 65th percentile for the applicable period.
- (8) The agency proposes to update the swing bed and administrative day rates to reflect the current average adjusted nursing facility rates effective October 1, 2015.

The agency proposes to implement the above actions in order that the inpatient hospital claims with a discharge date of October 1, 2015 and after can be priced based upon the required use of ICD-10 codes; to further our goal of reducing payment of inefficiencies incurred by certain hospitals; and to reflect the change in the swing bed and administrative day rates based upon the October 1, 2015 nursing facility rate update.

The SCDHHS projects that based upon the proposed actions noted above, annual aggregate Medicaid fee for service inpatient and outpatient hospital expenditures will decrease by approximately (\$4.0) million (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 the proposed action is available upon request at the address cited below.

Written comments may be sent to the Division of Acute Care Reimbursements, South Carolina Department of Health and Human Services, 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, 2015.

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