

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-26-12  
Baltimore, Maryland 21244-1850



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**Financial Management Group**

December 11, 2019

Joshua D. Baker, Director  
Department of Health & Human Services  
1801 Main Street  
Columbia, SC 29201

**RECEIVED**

DEC 30 2019

Department of Health & Human Services  
**OFFICE OF THE DIRECTOR**

RE: State Plan Amendment (SPA) 19-0008

Dear Mr. Baker:

We have reviewed the proposed amendment to Attachment 4.19-D of your Medicaid State plan submitted under transmittal number 19-0008. This amendment proposes to modify reimbursement for ICF-IID facilities. Specifically, this amendment proposes to update the ICF prospective payment rates by providing for the third and final direct care worker add-on increase to be added to current rates legislatively authorized by the South Carolina General Assembly.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1903(a) of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. We have found that the proposed reimbursement methodology complies with applicable requirements and therefore have approved them with an effective date of July 1, 2019. We are enclosing the CMS-179 and the amended approved plan pages.

If you have any questions, please call Anna Dubois at (850) 878-0916.

Sincerely,

A handwritten signature in black ink, appearing to read "Kristin Fan", is positioned above the printed name and title.

Kristin Fan  
Director

cc:  
Anna Dubois  
Dan Yablochnikov



This report will be due within ninety (90) days after the end of the period of operation. Once new ownership or the prior owner begins operation of the facility, reimbursement will be determined as previously described for a new owner under paragraph E (2).

F. Payment for State Government Nursing Facilities and Institutions for Mental Diseases

Effective October 1, 2017, each state owned nursing facility owned and/or operated by the SC Department of Mental Health will receive a prospective payment rate based upon each facility's fiscal year 2015 cost report. Allowable cost will be defined in accordance with the Provider Reimbursement Manual HIM-15. Allowable costs will include all physician costs except for those physician costs that relate to the provision of professional services. The total allowable Medicaid reimbursable costs of each nursing facility will be divided by the total number of actual patient days served during the cost reporting period to determine the base year Medicaid per diem cost. In order to trend the base Medicaid per diem cost to the payment period, the agency will employ the use of a midpoint to midpoint trend factor of 8.185% based upon the first quarter 2017 Global Insight Indexes 2014 Based used for the CMS Skilled Nursing Facility Market Basket Updates.

The Medicaid Agency will not pay more than the provider's customary charge except governmental facilities that provide services free or at a nominal charge. Reimbursement to governmental facilities will be limited in accordance with 42 CFR §447.271 (b).

G. Payment Determination for ICF/IID's

1. All ICF/IID's shall apply the cost finding methods specified under 42 CFR 413.24(d) to its allowable costs for the cost reporting year under the South Carolina State Plan. ICF/IID facilities will not be subject to the allowable cost definitions R (A) through R (K) as defined in the plan.
2. All State owned/operated ICF/IID's are required to report costs on the Medicare Cost Reporting Form 2552. For cost reporting periods beginning on or after July 1, 1986, all other ICF/IID's which are not operated by the State (S.C. Department of Disabilities and Special Needs) will file annual financial and statistical report forms supplied by the Medicaid Agency. All cost reports must be filed with the Medicaid Agency within one hundred twenty (120) days from close of each fiscal year.

Effective April 1, 2019, all ICF/IID facilities will receive a statewide prospective payment rate (institutional rate or community rate) based upon the methodology described below using each facility's fiscal year 2016 cost report. Items of expense incurred by the ICF/IID facility in providing care are allowable costs for inclusion in the facility's cost report. These allowable costs are defined as items of expense which the provider may incur in meeting the definition of intermediate care or any expenses incurred in complying with state licensing or federal certification requirements. Allowable cost will be defined in accordance with the Provider Reimbursement Manual HIM-15.

To determine the April 1, 2019 baseline ICF/IID per diem rate, the total allowable Medicaid reimbursable costs of each ICF/IID will be divided by the total number of actual patient days served during the cost reporting period to determine the base year Medicaid per diem cost. In order to trend the base year Medicaid per diem cost to the midpoint of the FFY 2018 payment period, the agency will employ the use of the midpoint to midpoint methodology and the use of the first quarter 2018 Global Insight Indexes - 2014 Based CMS Skilled Nursing Home Market Basket Index.

SC 19-0008

EFFECTIVE DATE: 07/01/19

RO APPROVED: DEC 11 2019

SUPERSEDES: SC 19-0001

Next, to account for previous South Carolina legislatively funded direct care worker salary increases provided during the July 1, 2017 through June 30, 2018 and July 1, 2018 through June 30, 2019 state appropriation processes, the Medicaid Agency will provide for an additional wage increase factor to be applied against the April 1, 2019 baseline ICF/IID per diem rates described above. In order to determine the direct care worker wage increase factors, the Medicaid Agency accumulated the total amount of direct care worker wage increases associated with each class of ICF/IID facility (i.e. community and institutional) for each legislative period and divided these amounts by the sum of the projected FFY 2018 annual allowable Medicaid costs for each class of ICF/IID facilities. The projected FFY 2018 annual allowable Medicaid costs for each facility was determined by taking the April 1, 2019 baseline ICF/IID per diem rate and multiplying by SFY 2016 Medicaid incurred patient days prior to the application of the wage increase factors. Finally, to determine the final rate for each ICF/IID facility, the wage increase factors of 7.31% for community ICF/IIDs and 9.48% for the institutional ICF/IIDs were applied to the April 1, 2019 baseline ICF/IID per diem rates.

In order to determine the statewide per diem ICF/IID rates (institutional rate or community rate) effective April 1, 2019, the Medicaid Agency will employ the following process:

- (1) First, the ICF/IIDs are separated by class (institutional or community). The April 1, 2019 per diem rate of each ICF/IID within each class is multiplied by the number of incurred SFY 2016 Medicaid patient days obtained via MMIS to determine the annual projected Medicaid cost of each ICF/IID for Medicaid rate setting purposes.
- (2) Next, in order to determine a weighted average statewide baseline rate for each class of ICF/IID facility (community and institutional), the aggregate Medicaid cost as determined in step (1) for each class is divided by the sum of the incurred SFY 2016 Medicaid patient days for each class to determine the statewide weighted average for each class.

Effective July 1, 2019, the Medicaid Agency has developed a third and final direct care worker wage increase add-on based upon a final round of direct care worker funding provided to SCDDSN by the South Carolina General Assembly during the July 1, 2019 through June 30, 2020 state appropriations process. The July 1, 2019 add-on rate will be determined based upon a \$1.00 increase in the hourly wage rate as well as the application of a 25.21% fringe benefit factor which takes into account the employer's share of FICA (7.65%), SC Retirement System contributions (14.56%), and Worker's Comp. contributions (3.00%). Full time direct care worker equivalents (FTEs) will be derived from SFY 2019 payroll surveys and will be increased by ten percent (10%) to take into account vacancy factors and anticipated overtime costs. The annual number of hours worked by each FTE will equal 2,080 hours. The aggregate July 1, 2019 direct care worker wage increase cost will be computed for each class of ICF/IID provider (i.e. community and residential) and then be divided by the aggregate number of state fiscal year 2019 total patient days of each class of ICF/IID provider described above to determine the July 1, 2019 direct care worker wage increase add-on amount. The applicable July 1, 2019 direct care worker add-on will be added to the applicable April 1, 2019 statewide per diem ICF/IID rates (i.e. community and residential) to determine the July 1, 2019 ICF/IID statewide per diem rates.