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**Financial Management Group**

February 20, 2020

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

RE: State Plan Amendment (SPA) 19-0011

Dear Mr. Baker:

We have reviewed the proposed amendment to Attachment 4.19-D of your Medicaid State plan submitted under transmittal number 19-0011. This amendment proposes to continue its current UPL payment methodology based upon RUGS IV rates as well as the corresponding RUGS IV assessments. The reason the state submitted this plan amendment was to continue making UPL payments under the prior Medicare Part A SNF payment methodology which was replaced with the Patient Driven Payment Model effective October 1, 2019.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a), and 1923 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 October 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 blue ink, appearing to read "Kristin Fan", is positioned above the typed name.

Kristin Fan  
Director

cc:  
Anna Dubois  
Dan Yablochnikov

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL  
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER 19-0011	2. STATE SC
3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
4. PROPOSED EFFECTIVE DATE October 1, 2019	

TO: REGIONAL ADMINISTRATOR  
CENTERS FOR MEDICARE & MEDICAID SERVICES  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

5. TYPE OF PLAN MATERIAL (Check One)

- NEW STATE PLAN       AMENDMENT TO BE CONSIDERED AS NEW PLAN       AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate transmittal for each amendment)

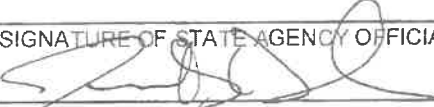
6. FEDERAL STATUTE/REGULATION CITATION 42 CFR Subpart C	7. FEDERAL BUDGET IMPACT a. FFY 2020 \$0 b. FFY 2021 \$0
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT  Attachment 4.19-D, page 27	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)  Attachment 4.19-D, page 27

10. SUBJECT OF AMENDMENT: This plan amendment continues the use of the RUGS-IV payment methodology by increasing the October 1, 2018 RUGS-IV payment rates by the average annual increase in Medicare SNF rates per the fiscal year 2020 final rule. This change was necessitated by the Centers for Medicare and Medicaid Services conversion from the RUGS-IV payment methodology to the Patient Driven Payment Model effective for services beginning on and after October 1, 2019.

11. GOVERNOR'S REVIEW (Check One)

- GOVERNOR'S OFFICE REPORTED NO COMMENT  
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED  
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED  
Mr. Baker was designated by the Governor to review and approve all State Plans.

12. SIGNATURE OF STATE AGENCY OFFICIAL 	16. RETURN TO South Carolina Department of Health and Human Services Post Office Box 8206 Columbia, South Carolina 29202-8206
13. TYPED NAME Joshua D. Baker	
14. TITLE Director	
15. DATE SUBMITTED December 13, 2019	

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED	18. DATE APPROVED February 20, 2020
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**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL October 1, 2019	20. SIGNATURE OF REGIONAL OFFICIAL 
21. TYPED NAME Kristin Fan	22. TITLE Director, FMG

23. REMARKS

(1) Qualifications

In order to qualify for a supplemental payment as an Essential Public Safety Net nursing facility, a nursing facility must meet all of the following criteria:

- a) The nursing facility is a non-state owned governmental nursing facility in which the operator of the nursing facility is also the owner of the nursing facility assets;
- b) The nursing facility is located in the State of South Carolina;
- c) The nursing facility is licensed as a nursing facility by the State of South Carolina and is a current Medicaid provider;

(2) Upper Payment Limit Calculation

The upper payment limit effective for services beginning on and after October 1, 2011 for Essential Public Safety Net nursing facilities will be calculated using the Medicaid frequency distribution of all licensed South Carolina non-state owned governmental nursing facilities which contract with the South Carolina Medicaid Program. This frequency distribution will be determined using the Medicaid MDS assessments completed during the period which corresponds with the quarterly upper payment limit payment period (e.g. October 1 through December 31 and January 1 through March 31, etc.). The results of each nursing facility's Medicaid frequency distribution will then be applied to the total Medicaid patient days (excludes hospice room and board Medicaid patient days and coinsurance days) paid to the nursing facility during each federal fiscal year beginning October 1, 2011 in order to allocate the Medicaid days across the Medicare RUG IV categories. The applicable Medicare rates for the payment year for each RUG category will be applied against the Medicaid days for each RUG category, and then summed, to determine the maximum upper payment limit to be used in the determination of the Essential Public Safety Net nursing facility payments.

Due to Medicare's conversion from the RUGS-IV payment methodology to the Patient Driven Payment Model for Medicare Part A skilled nursing facility services effective October 1, 2019, the Medicaid Agency will increase the October 1, 2018 Medicare RUGS-IV payment rates by the average annual increase in Medicare rates per the FY 2020 Final Rule. The adjusted Medicare rates will then be used in the calculation of the quarterly Essential Public Safety Net Nursing Facility payments effective for services provided on and after October 1, 2019.

In order to adjust for program differences between the Medicare and Medicaid payment programs, the SCDHHS will calculate Medicaid payments in accordance with Section K(3)(b) of the plan.

(3) Payment Methodology

The South Carolina Department of Health and Human Services will make a supplemental Medicaid payment in addition to the standard nursing facility reimbursement to qualifying Essential Public Safety Net nursing facilities. Such payments will be made quarterly based on Medicaid patient days paid during the payment period. The payment methodology is as follows:

- a. The upper payment limit for all licensed South Carolina non-state owned governmental nursing facilities which contract with the South Carolina Medicaid Program will be computed as described under section K(II)(2) above.