

Table of Contents

State/Territory Name: South Carolina

State Plan Amendment (SPA) #: 22-0008

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S3-14-28
Baltimore, Maryland 21244-1850



Financial Management Group

March 23, 2023

Robert M. Kerr
Director, Department of Health & Human Services
Post Office Box 8206
1801 Main Street
Columbia, SC 29202-8206

Reference: State Plan Amendment (SPA) SC-22-0008

Dear Director Kerr:

We are issuing a technical correction to the approval package for Medicaid State Plan transmittal number (TN) 22-0008. This amendment updates Medicaid prospective payment rates for Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) based on a legislatively funded 3 percent COLA increase in order to reimburse ICF/IID providers for the increased costs for services and one-time \$1500 bonus payments for full-time equivalent (FTE) employees meeting specified criteria. The original approval package included a typo in the fiscal year.

This technical correction maintains the original effective date and approval date. The CMS-179 and the plan pages are attached.

If you have any additional questions or need further assistance, please contact James Francis at 857-357-6378 or james.francis@cms.hhs.gov.

Sincerely,

A handwritten signature in cursive script that reads "Rory Howe".

Rory Howe
Director


TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES	1. TRANSMITTAL NUMBER <u>2 2 — 0 0 0 8</u>	2. STATE <u>S C</u>
	3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT <input checked="" type="radio"/> XIX <input type="radio"/> XXI	
TO: CENTER DIRECTOR CENTERS FOR MEDICAID & CHIP SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE <p style="text-align: center;">July 1, 2022</p>	
5. FEDERAL STATUTE/REGULATION CITATION 42 CFR Subpart C (Part 447.250)	6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars) a. FFY 2022 \$ 1,024,000 \$1,540,000 b. FFY 2023 \$ 8,470,000 \$6,140,000	
7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT Attachment 4.19-D pages, 23a, 23b (New Page)	8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) Attachment 4.19-D page, 23a	

9. SUBJECT OF AMENDMENT

This SPA will update ICF/IID rates based on a legislatively funded COLA increase and will provide one-time bonus payments.

10. GOVERNOR'S REVIEW (Check One)

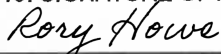
GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS SPECIFIED:
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

11. SIGNATURE OF STATE AGENCY OFFICIAL 	15. RETURN TO South Carolina Department of Health and Human Services Post Office Box 8206 Columbia, SC 29202-8206
12. TYPED NAME Robert M. Kerr	
13. TITLE Director	
14. DATE SUBMITTED September 28, 2022	

FOR CMS USE ONLY

16. DATE RECEIVED September 28, 2022	17. DATE APPROVED December 15, 2022
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PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL July 1, 2022	19. SIGNATURE OF APPROVING OFFICIAL 
20. TYPED NAME OF APPROVING OFFICIAL Rory Howe	21. TITLE OF APPROVING OFFICIAL Director, Financial Management Group

22. REMARKS
On 12/1/22, South Carolina authorized a pen-and-ink change to block 6 to change FFY 2022 amount to \$1,540,000 and FFY 2023 amount to \$6,140,000. (JGF)

In addition to the January 1, 2022 baseline per diem rate calculation reflected above, the Medicaid Agency will also include a Direct Care Worker (DCW) add-on for each ICF/IID rate to account for the legislatively imposed direct care worker wage increase as mandated by the South Carolina General Assembly during the July 1, 2019 through June 30, 2020 state appropriations process. The DCW add-on to the January 1, 2022 baseline rate will be determined based upon a \$1.00 increase in the hourly wage rate as well as the application of a twenty-five.twenty-one percent (25.21%) fringe benefit factor which takes into account the employer's share of FICA (7.65%), the SC Retirement System contribution (14.56%), and worker's compensation expense (3.0%). 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 January 1, 2022 direct care worker add-on will be determined for each class of ICF/IID facility (i.e. institutional or community) by taking the aggregate amount of the projected direct care worker cost determined for each class and dividing that amount by the aggregate number of SFY 2019 total patient days incurred by each class.

In order to determine the statewide per diem ICF/IID rates (institutional rate or community rate) effective January 1, 2022, the Medicaid Agency will employ the following process:

- (1) First, the ICF/IIDs are separated by class (institutional or community). The January 1, 2022 baseline rate (including the Direct Care Worker Add-on) of each ICF/IID within each class is multiplied by the number of incurred SFY 2019 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 2019 Medicaid patient days for each class to determine the statewide weighted average rate for each class.

The South Carolina General Assembly provided state employees with a three percent (3%) cost of living (COLA) increase and a \$1,500 one-time bonus (to be paid to all full-time state employees) during SFY 2022/2023. In order to address these additional costs which are not reflected within the base year cost report and not accounted for in the lower than projected trend rate used in the January 1, 2022 rate setting process, the Medicaid Agency will employ the use of the following methodologies to reimburse the providers for these costs for services incurred on and after July 1, 2022:

- COLA Adjustment

Approximately 56% of a long-term care facility's total operating cost represent salary expense. Therefore, in order to project the impact of the 3% COLA on the January 1, 2022 statewide Community and Institutional ICF/IID Medicaid rates, each statewide rate was multiplied by 56% to determine that portion of the per diem rate representing salary costs only. Next, the salary portion of the total per diem rate is multiplied by 3.0% to determine the impact

of the COLA increase. Next, the COLA increase per diem is multiplied by the impact of FICA (7.65%) and State Retirement (17.56%) expense relating to the 3% COLA. Finally, to account for the annual increase in health insurance (1%) and state retirement costs (1%), the 1% increase in annual health insurance was applied to both the salary per diem portion of the rate as well as the 3% COLA portion of the rate. For the state retirement 1% increase in annual costs, this amount was only applied to the salary per diem portion of the rate. Therefore, effective for services incurred on and after July 1, 2022, the statewide Community ICF/IID rate amounts to \$348.45. The statewide Institutional ICF/IID rate amounts to \$510.40.

- \$1,500 One Time Bonus

Due to the uniqueness of this one-time bonus to be paid to all full-time equivalents (FTEs) as directed by the South Carolina General Assembly, the Medicaid Agency will first determine the number of full time FTEs from the provider submitted state fiscal year end 2023 FTE reports. To account for the assessment of employer FICA (7.65%) for each eligible employee, this percentage will be applied to the \$1,500 bonus so that each ICF/IID will be reimbursed \$1,615 per individual full time FTE. These payments will not be paid on a "per claim basis" but via a "gross adjustment" payment process to each ICF/IID.

In order for an individual to qualify and receive the \$1,500 bonus payment, the following criteria must be met:

- Employee must be in a full time equivalent (FTE) position;
- Employee must have had continuous state service from Jan. 1, 2022 through June 30, 2022. An employee who may have been in a leave without pay (LWOP) status during the period between Jan. 1, 2022 through June 30, 2022 is still considered to have had continuous state service;
- Employee must be employed at the time the bonus is paid; and,
- Employees in LWOP status, who are otherwise eligible to receive the bonus, will not receive the bonus payment until they return to active payroll status.