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State/Territory Name: South Carolina

State Plan Amendment (SPA) #: 24-0009

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

September 19, 2024

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

RE: TN 24-0009

Dear Director Kerr:

The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed South Carolina state plan amendment (SPA) to Attachment 4.19-D SC-24-0009, which was submitted to CMS on June 27, 2024. This plan amendment updates Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) statewide rates effective for services provided on and after April 1, 2024, based upon a legislative cost-of-living increase (COLA).

We reviewed your SPA submission for compliance with statutory requirements, including in sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1903 as it relates to the identification of an adequate source for the non-federal share of expenditures under the plan, as required by 1902(a)(2) of the Social Security Act and the applicable implementing Federal regulations.

Based upon the information provided by the state, we have approved the amendment with an effective date of April 1, 2024. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

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

Sincerely,

A handwritten signature in black ink that reads "Rory Howe". The signature is written in a cursive, flowing style.

Rory Howe
Director
Financial Management Group

Enclosures

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES		1. TRANSMITTAL NUMBER <div style="border-bottom: 1px solid black; display: flex; justify-content: space-around; width: 100%;"> 24—0009 </div>	2. STATE <div style="border-bottom: 1px solid black; display: flex; justify-content: space-around; width: 100%;"> SC </div>
TO: CENTER DIRECTOR CENTERS FOR MEDICAID & CHIP SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES		3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT <div style="display: flex; justify-content: space-around;"> <input checked="" type="radio"/> XIX <input type="radio"/> XXI </div>	
5. FEDERAL STATUTE/REGULATION CITATION 42 CFR Supbart C (Part 447.250)		4. PROPOSED EFFECTIVE DATE <div style="text-align: center;">April 1, 2024</div>	
7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT Attachment 4.19-D pages 23a, 23c (New Page)		6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars) a FFY 2024 \$ 3,814,689 b FFY 2025 \$ 7,644,741	
9. SUBJECT OF AMENDMENT This SPA will update ICF/IID rates effective April 1, 2024 based upon a legislatively funded COLA increase of 5% for state fiscal year July 1, 2023 through June 30, 2024.		8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) Attachment 4.19-D, pages 23a	
10. GOVERNOR'S REVIEW (Check One) <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <input type="radio"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="radio"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="radio"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL </div> <div style="width: 45%;"> <input checked="" type="radio"/> OTHER, AS SPECIFIED: Mr. Kerr was designated by the Governor to review and approve all State Plans. </div> </div>			
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 June 25, 2024			
FOR CMS USE ONLY			
16. DATE RECEIVED June 27, 2024		17. DATE APPROVED September 19, 2024	
PLAN APPROVED - ONE COPY ATTACHED			
18. EFFECTIVE DATE OF APPROVED MATERIAL April 1, 2024		19. SIGNATURE OF APPROVING OFFICIAL 	
20. TYPED NAME OF APPROVING OFFICIAL Rory Howe		21. TITLE OF APPROVING OFFICIAL Director, Financial Management Group	
22. REMARKS			

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. The South Carolina General Assembly provided state employees with a five percent (5%) cost of living (COLA) increase during SFY 2023/2024.

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.

COLA Adjustment: (July 1, 2022 - June 30, 2023)

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

- COLA Adjustment: (SFY 2023-24)

Approximately 56% of a long-term care facility's total operating cost represent salary expense. Therefore, in order to project the impact of the 5% COLA on the July 1, 2023 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 5.0% 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 (18.56%) expense relating to the 5% COLA. Finally, to account for the annual increase in health insurance (3.7%) and state retirement costs (1%), the 3.7% increase in annual health insurance was applied to both the salary per diem portion of the rate as well as the 5% 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 April 1, 2024, the statewide community ICF/IID rate amounts to \$370.30. The statewide Institutional ICF/IID rate amounts to \$542.39.