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Governor Haley Announces Investment in Rural Hospitals

Fully covering uncompensated care provides approximately \$20 million in new funds annually

COLUMBIA, S.C. — Beginning next year, Medicaid-designated rural hospitals in South Carolina will be fully compensated through the Medicaid Disproportionate Share Hospital (DSH) program for their uncompensated care costs, Governor Nikki Haley announced Wednesday night during her State of the State address. This investment will provide approximately \$20 million annually to these hospitals, where Medicaid recipients and uninsured individuals with a disproportionate share of health problems receive their care.

“We are investing in rural health, because if you have Medicaid and live in Marlboro or Bamberg, it is likely that you aren’t as healthy as if you have Medicaid and live in Greenville or Lexington,” said Haley. “We’ve long known that rural hospitals face challenges that larger hospitals don’t, and now, for the first time ever, the State of South Carolina is going to treat them that way.”

The DSH program is a taxpayer-supported \$461 million Medicaid fund used to compensate hospitals in South Carolina for the unreimbursed costs of providing inpatient and outpatient hospital services to the uninsured and Medicaid eligible individuals. This year, the program covered approximately 57 percent of uncompensated care expenses delivered by all non-state owned hospitals statewide. Prior to the Haley administration, hospitals were allocated funds equally through the program, regardless of the percentage of their expenditures devoted to serving Medicaid eligible patients and the uninsured.

“This is an incredible breakthrough for rural communities, as South Carolina is finally putting its money where its mouth is – and committing to the care and quality of life of rural citizens,” said Senator Yancey McGill, (D) Williamsburg County. “We’ve worked with Gov. Haley and SCDHHS for the last year and half as they’ve come to our communities to see what is happening. Today, I am so pleased with the attention being given to where the real need is, and I applaud Governor Haley and Director Keck for their leadership in this.”

South Carolina Department of Health and Human Services Director Tony Keck says this shift in funding is a smarter way to purchase better health. “This administration believes in investing our health care dollars in ways that most improve health. Here, we are providing greater resources where they are needed without spending additional funds,” Keck said.

In 2011, Medicaid made minor changes to reduce DSH payments to hospitals delivering the smallest percentage of DSH eligible care compared with their peers. This new announcement recognizes the special burden carried by rural hospitals which generally deliver a large portion of care to the uninsured, and Medicaid and Medicare eligible patients, which are typically reimbursed at lower rates than private insurance. Beginning October 1, 2013, hospitals designated as rural by Medicaid will be reimbursed 100 percent of their uncompensated care costs from the DSH fund. These dollars are not new, but are being reallocated within the current DSH program.

“Last November at Edgefield County Hospital, we delivered a proclamation from Gov. Haley recognizing the state’s commitment to rural health on National Rural Health Day. The Governor has now followed up her words with action by making a very significant investment in rural hospitals,” said Graham Adams, PhD, Chief Executive Officer of the South Carolina Office of Rural Health. “Rural hospitals are the health anchors for their communities. They provide critical urgent and emergent care services and have become important hubs for mental health through telemedicine. We appreciate that Governor Haley’s Department of Health and Human Services has invested dollars into communities that need it most.”

This effort is part of the Department of Health and Human Services’ three-pillar strategy of payment reform, clinical integration and focusing on hotspots of poor health and disparities. This strategy recognizes that one-third of health care spending nationally is excess cost, and that by improving health care efficiency and effectiveness, dollars saved can be reinvested in services, geographic areas and populations where the most need exists. Since 2011, hundreds of millions in excess cost have been removed from South Carolina’s Medicaid system and reinvested in increasing services to the elderly and individuals living with disabilities, to improve the health of the state’s poorest children and to increase mental health and addictive disorder services throughout the state.

The South Carolina Department of Health and Human Services provides health care benefits to more than 1.1 million South Carolinians. Its mission is to purchase the most health for our citizens in need at the least possible cost to the taxpayer.

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