

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



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**Financial Management Group**

MAR 22 2016

**RECEIVED**

MAR 28 2016

Mr. Christian L. Soura  
Director  
Department of Health and Human Services  
P.O. Box 8206  
Columbia, South Carolina 29202-8206

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

RE: State Plan Amendment SC 15-013

Dear Mr. Soura:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid state plan submitted under transmittal number (TN) 15-013. Effective December 1, 2015 this amendment modifies the State's reimbursement methodology for setting payment rates for inpatient hospital services. Specifically, this amendment will provide retrospective cost settlement up to total allowable Medicaid cost for two state owned and operated psychiatric hospitals that consolidated.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a), 1902(a)(13), 1902(a)(30), 1903(a) and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR Part 447. We have found that the proposed changes in payment methodology comply with applicable requirements and therefore have approved them with an effective date of December 1, 2015. We are enclosing the CMS-179 and the amended approved plan pages.

If you have any questions, please call Stanley Fields at (502) 223-5332.

Sincerely,

A handwritten signature in blue ink that reads "Kristin Fan". The signature is written in a cursive, flowing style.

Kristin Fan  
Director

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:  
SC 15-013

2. STATE  
South Carolina

FOR: HEALTH CARE FINANCING ADMINISTRATION

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE  
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE  
December 1, 2015

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 Part 447 Subpart C

7. FEDERAL BUDGET IMPACT:  
a. FFY 2016    \$ <2,813,583>  
b. FFY 2017    \$ <3,554,000>

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A page 17

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):

Attachment 4.19-A page 17

10. SUBJECT OF AMENDMENT:

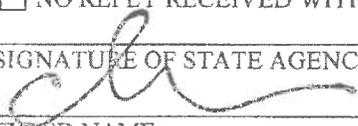
State Owned Long Term Psychiatric Hospital rate Development when two or more state owned Long Term Psychiatric Hospitals consolidate.

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. Soura was designated by the Governor  
to review and approve all State Plans

12. SIGNATURE OF STATE AGENCY OFFICIAL:



13. TYPED NAME:  
Christian L. Soura

14. TITLE:  
Director

15. DATE SUBMITTED:  
December 29, 2015

16. RETURN TO:

South Carolina Department of Health and Human Services  
Post Office Box 8206  
Columbia, SC 29202-8206

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

18. DATE APPROVED:

MAR 22 2016

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
DEC 01 2015

20. SIGNATURE OF REGIONAL OFFICIAL:



21. TYPED NAME: Kristin Fan

22. TITLE: Director, FMC

23. REMARKS:

- 2.A. Per Diem Prospective Payment Rate - Long-Term Psychiatric Hospitals Effective November 1, 2013.  
Only free-standing governmental long-term care psychiatric hospitals are included in this computation.
- a) Total allowable Medicaid costs are determined for each governmental long term psychiatric hospital using its fiscal year 2012 Medicaid cost report. Allowable costs would include both routine and ancillary services covered by the long term psychiatric hospital.
  - b) Next, total patient days incurred by each hospital during its cost reporting period were obtained from each provider's Medicaid cost report.
  - c) Next, in order to determine the per diem cost for each governmental long term psychiatric hospital, total allowable Medicaid reimbursable costs for each provider is divided by the number of patient days incurred by the provider to arrive at its per diem cost.
  - d) Finally, in order to trend the governmental long term psychiatric hospitals base year per diem cost (i.e. July 1, 2011 through June 30, 2012 to the payment period (i.e. November 1, 2013 through September 30, 2014), the agency employed the use of the applicable CMS Market Basket Rates for Inpatient Psychiatric Facilities to determine the trend rate of 5.37%:
    - RY 2013- 2.7%
    - RY 2014- 2.6%
  - e) For private long term psychiatric hospitals that do not receive a hospital specific per diem rate, a statewide per diem rate will be developed by first multiplying the governmental long term psychiatric hospitals per diem rate by the Medicaid patient days incurred during its base year cost reporting period. Next, the sum of the Medicaid allowable cost amounts for all governmental long term psychiatric hospitals was divided by the sum of the incurred Medicaid patient days to determine the statewide per diem rate for private long term psychiatric hospitals effective November 1, 2013. The hospital will be reimbursed based upon the lesser of its calculated per diem based upon actual costs or the statewide rate.
  - f) Effective for services provided on or after December 1, 2015 and in the event that two or more state owned governmental long term psychiatric hospitals consolidate and operate under one license as one entity, the surviving hospital will be allowed to receive a rate based upon a budgeted cost report beginning with the effective date of such consolidation. The surviving hospital will be allowed to receive retrospective cost settlements at 100% of allowable Medicaid reimbursable costs through September 30, 2017. A future plan amendment will be developed to describe the prospective rate setting process for this hospital with an effective date of October 1, 2017 at a later date.