STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State/Territory: South Carolina

Citation	Condition or Requirement

1906 of the Act

State Method on Cost Effectiveness of Employer Based Group Health Plans

I. The State of South Carolina uses the following methods to determine the cost effectiveness of paying group health insurance premiums for Medicaid clients:

1) Cost Effectiveness Based on Client Diagnosis
The determination of cost effectiveness is based on the comparison of premium amounts and the policyholder obligations against the anticipated expenditures identified with a diagnosis that will require long term treatment. Such a diagnosis would include cancer, chronic heart disease, congenital heart disease, and stage renal disease, and AIDS. This list will be expanded as diagnoses associated with anticipated with long term care are targeted. This method of determination is also appropriate for short term high expense treatments such as pregnancy. A client's case is considered as cost effective when anticipated expenditures associated with the diagnosis exceed the premium amounts and policyholder obligations as the condition is likely to continue.

2) Cost Effectiveness Based on Actual Expenditures
The determination of cost effectiveness is based on the comparison of premium amounts and policyholder obligations against the actual claims experience for the client. Documentation of actual expenditures consists of Explanation of Benefits (EOB's) from the client's health carrier for previous charges or Medicaid expenditures for previous periods of the client's eligibility. A client's case is determined as cost effective if actual claim expenditures exceed premium amounts and policyholder obligations.

3) Cost Effectiveness Based on Expenditure Projection
The determination of cost effectiveness is based on the comparison of the amount of the annual premium, deductibles, coinsurance, policyholder cost sharing obligations, and additional administrative costs against the average annual cost of Medicaid expenditures for the recipient's eligibility classification for types of services covered under a group plan. The Medicaid Management Information System (MMIS) is utilized to obtain the

average annual Medicaid cost of a recipient by age, sex, qualifying category and geographical location. A client's case is determined as cost effective if the amount of the premium, deductibles, coinsurance, cost sharing obligation, and administrative costs are less than the Medicaid expenditures for an equivalent set of services.

II. Because Federal Financial Participation (FFP) is available for the Payment of premiums for Medicaid recipients enrolled in a cost effective group health plan:

1) Medicaid will pay the health insurance premiums (policyholder portion only if an employment related policy) for Medicaid recipients with policies likely to be cost effective to the Medicaid program. Payments shall be made directly to the insurer providing the coverage, the employer or to the Medicaid recipient or guardian.

2) Medicaid will pay the Medicaid allowable amount for all items and services provided the Medicaid recipient under the state plan that are not covered under the group health plan.

3) Medicaid will provide for the payment of premiums when cost effective for non-Medicaid eligible family members in order to enroll a Medicaid eligible family member in the group health plan.

4) Medicaid will treat the group health plan as a third party resource in accordance with South Carolina Medicaid TPL cost avoidance policies.

5) The health carrier, employer, recipient or non-Medicaid eligible family member will immediately notify this agency of any event that might affect the policyholder status or the cost effectiveness of the health insurance policy.

6) Medicaid will receive referrals for potential candidates for the payment of premiums. Referral systems have been established through the South Carolina Hospital Association and the South Carolina Physician Association, state-wide and community based AIDS support groups, agency Community Long Term Care (CLTC) area offices and internally generated reports.