

**South Carolina Department of Health and Human Services
Medical Care Advisory Committee
Item for Committee Advisement**

PREPARED BY: Jeff Saxon, Program Manager, Office of Finance and Administration

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DATE: August 28, 2014

SUBJECT: Inpatient Hospital Rate Updates and Outpatient Hospital Multiplier Updates Effective October 1, 2014.

OBJECTIVE: To update the South Carolina general acute care hospitals and qualifying out of state border hospitals Medicaid inpatient hospital specific per discharge rate as well as its hospital specific outpatient multiplier effective October 1, 2014.

BACKGROUND: The SCDHHS intends to remove the unreimbursed Medicaid fee for service inpatient and outpatient hospital base operating costs that are currently being reimbursed under the South Carolina Medicaid Disproportionate Share Hospital Program (i.e. 50% of the unreimbursed costs) of the SC general acute care hospitals and qualifying out of state border hospitals. Therefore, the SCDHHS will update the Medicaid inpatient hospital specific per discharge rates as well as the hospital specific outpatient multipliers for South Carolina general acute care hospitals and the out of state border hospitals eligible to receive its own hospital specific per discharge rate and hospital specific outpatient multiplier effective October 1, 2014. This will be done by increasing the July 1, 2014 hospital specific inpatient base rate component by two and a half percent (2.50%). The Direct Medical Education and Indirect Medical Education rate components of the hospital specific per discharge rates will not be subject to the two and a half percent (2.50%) increase. The statewide hospital per discharge rate and the free standing short term psychiatric hospital per discharge rates will remain at the November 1, 2012 payment level.

In regards to the hospital specific outpatient hospital multipliers, the SCDHHS will increase the July 1, 2014 hospital specific outpatient multipliers by two and a half percent (2.50%) for South Carolina general acute care hospitals and the out of state border hospitals eligible to receive its own hospital specific outpatient multiplier. The Direct Medical Education component of the outpatient multiplier will not be subject to the two and a half percent (2.50%) increase. The statewide hospital specific outpatient multiplier of 93% will remain at the November 1, 2012 level. The statewide South Carolina Medicaid outpatient hospital fee schedule rates will not be impacted by this and thus will remain at their current level.

Finally, the SCDHHS will update the swing bed and administrative day rates to reflect the current average adjusted nursing facility rates effective October 1, 2014.

BUDGETARY IMPACT: Annual aggregate expenditures are expected to increase by approximately \$30.8 million (total dollars) for both Medicaid fee for service individuals and Medicaid managed care enrollees.

EXPECTED OUTCOMES: Medicaid recipient access to inpatient and outpatient hospital services will be maintained/may improve.

EXTERNAL GROUPS AFFECTED: Contracting Medicaid hospitals, Medicaid Managed Care Organizations, and Medicaid recipients.

RECOMMENDATION: Move to amend the current state plan to allow for the: (1) - October 1, 2014 inpatient hospital specific per discharge rate update for SC general acute care hospitals and qualifying out of state border hospitals; (2) – October 1, 2014 hospital specific outpatient hospital multiplier update for the SC general acute care hospitals and qualifying out of state border hospitals and; (3) – October 1, 2014 administrative day rate and swing bed rate update for all hospitals which provide these services.

EFFECTIVE DATE: October 1, 2014