

Comments to Public Notice of Proposed Action for Rural Hospital Payment Methodology Published on April 11, 2023

- At first glance this proposed action appears to be a reduction in annual Medicaid expenditures to the SC defined rural hospitals unless the inpatient hospital per discharge rates and outpatient hospital multipliers are continuously updated each year based upon the methodology outlined in the proposed public notice.

SCDHHS Response: The proposed methodology does not reduce reimbursement to rural hospitals. Instead, it accelerates the full cost-equivalent payments to be made more contemporaneously with the provision of services. This increases the outpatient base rate for all hospitals and increases the inpatient base rate for all but two hospitals that already received material increases through the October 1, 2021, rebase.

By prospectively paying the full cost-equivalent payment, the proposed methodology remedies several antiquated and harmful practices from the prior retrospective cost settlement system. Specifically, rural hospitals will no longer be required to accrue multi-year cost shortfalls to receive the full cost-equivalent payment needed for them to maintain access to care. In addition to addressing this financial strain and budget uncertainty, the proposed methodology will eliminate significant, burdensome administrative work required under the prior system, improving the agency's efficiency. While the blended 2020 and 2021 rate is appropriate to establish the 2023 rate, SCDHHS will diligently monitor whether future rate adjustments are needed to maintain rural hospitals at a full cost-equivalent payment rate.

Separately, SCDHHS is requiring MCOs to increase their payment to rural hospitals to no less than the amounts paid under the proposed methodology, which will result in higher Medicaid managed care reimbursement for rural hospitals.

- What data does SCDHHS plan to use as payment data?

SCDHHS Response: SCDHHS is using 2020 and 2021 payment data.

- Under item #2, SCDHHS states "The agency proposes to develop cost-based prospective payment rates based on the two-year average of each hospital's 2020 and 2021 payment data and applied as a percentage base rate adjustment to the current inpatient and outpatient hospital fee schedules". Does SCDHHS intend to update the statewide outpatient hospital fee schedule for all hospitals based upon the aggregate rural hospital percentage increase relating to outpatient hospital services or is SCDHHS going to update each SC defined rural hospitals' outpatient hospital multiplier on an individual basis?

SCDHHS Response: SCDHHS is going to update each SC defined rural hospital's outpatient hospital multiplier on an individual basis.

- Will the base rate percentage increase be computed using the average of each individual year's percentage increase/(decrease) or will SCDHHS combine the two years of settlement and payment data to determine the average base rate percentage increase?

SCDHHS Response: SCDHHS computed the percentage base rate adjustment using the average of each individual year's percentage increase/(decrease).

- How will SCDHHS address those SC defined rural hospitals whose FY 2020 and FY 2021 cost settlements were impacted by the results of the July 1, 2014 and October 1, 2015 normalization actions since the October 1, 2021 hospital specific per discharge rates and outpatient hospital multipliers have been adjusted to reflect the removal of the impact of the normalization actions? The Medicaid cost settlements for those SC defined rural hospitals impacted by the normalization actions would need to be recomputed for FY 2020 and FY 2021 by excluding the impact of the normalization actions. For example, if any rural hospital were capped by the 65th percentile and was owed additional funds, the FY 2020 and FY 2021 cost settlements originally determined would have considered the period settled as paid since their payment was capped by the 65th percentile. On the other, for those rural hospitals whose payment rates or outpatient hospital multipliers were increased up to the 15th percentile, they were allowed to retain those payments in excess of cost.

SCDHHS Response: To ensure no rural hospital is harmed in the new methodology, SCDHHS assumed—in the calculation of the percentage base rate adjustment—that all SC defined rural hospitals were paid 100% of their allowable Medicaid reimbursable costs from the 2021 and 2020 data year, regardless of any normalization caps or other limits on payment. SCDHHS also accounted for changes to the inpatient and outpatient fee schedules effective October 1, 2021.

- How will SCDHHS build in the impact of cost settlements for new/replacement SC defined rural hospitals that open after 2021?

SCDHHS Response: SCDHHS is only aware of one such hospital that opened in January 2023. SCDHHS will develop a rate adjuster for that hospital using the same methodology it would have used to develop an individual interim rate for a new rural hospital under the prior cost settlement system. This methodology will also be used should additional SC defined rural hospitals open in the future.

- Will the new July 1, 2023 inpatient hospital per discharge rates and outpatient hospital multipliers of the SC defined rural hospitals be reflected in the Medicaid MCO ratee effective July 1, 2023 so that Medicaid MCO claims can be reimbursed at the July 1, 2023 Medicaid FFS payment rates/outpatient multipliers?

SCDHHS Response: Yes.

- Will qualifying burn intensive care unit hospitals that currently receive retrospective cost settlements at 100% of allowable Medicaid reimbursable costs be subject to the proposed policy change outlined in this public notice?

SCDHHS Response: Not at this time.

- For any SC defined rural hospital whose retrospective cost settlements were limited to less than 100% of allowable Medicaid reimbursable costs (i.e. 90% for Cannon, McLeod Loris and Union or 80% for The Regional Medical Center) based upon the date of designation as a SC defined rural hospital (i.e. on and after October 1, 2014 and on and after October 1, 2016), those impacted rural hospital cost settlements would need to be recomputed for FY 2020 and FY 2021 to ensure that 100% of allowable Medicaid reimbursable cost is used to determine the percentage base rate adjustment.

SCDHHS Response: To ensure no rural hospital is harmed in the new methodology, SCDHHS assumed—in the calculation of the percentage base rate adjustment—that all SC defined rural hospitals were paid 100% of their allowable Medicaid reimbursable costs from the 2021 and 2020 data year, regardless of any normalization caps or other limits on payment. SCDHHS also accounted for changes to the inpatient and outpatient fee schedules effective October 1, 2021.