

March 13, 2026

PUBLIC NOTICE

Public Notice of Final Action for Federally Qualified Health Centers Payment Methodology

The South Carolina Department of Health and Human Services (SCDHHS), pursuant to the requirements of Section 1902(a)(13)(A) of the Social Security Act, gives notice of the following actions regarding its methods and standards for paying Federally Qualified Health Centers (FQHC) providers under the State Plan under Title XIX of the Social Security Act Medical Assistance Program (Medicaid).

Effective for services provided on or after April 1, 2026, SCDHHS will amend the South Carolina Title XIX State Plan to incorporate the following clarifying language under Section 2c of 4.19-B:

1. FQHC services and other covered ambulatory services provided under the State Plan will be reimbursed in accordance with section 702 of the Benefits Improvement and Protection Act (BIPA) of 2000. Payment will follow the prospective payment system (PPS) or an alternative payment methodology (APM) that meets the following conditions:
 - a. The APM is mutually agreed upon by the state and the FQHC.
 - b. The APM ensures payments are at least equal to the PPS rate.
2. The state will calculate the baseline PPS rate using average costs from Medicare cost reports for fiscal year (FY) 1999 and FY 2000, adjusted for changes in scope of services. The PPS rate is derived by dividing total costs by total visits for each year and averaging the results. The initial PPS rate, effective Oct. 1, 2001, is indexed to align with the state's FY (July 1 to June 30) using the Medicare Economic Index (MEI). Subsequent PPS rates will be updated annually using the MEI and adjusted for changes in scope of services.
3. Key methodology components:
 - a. Scope of Services: FQHCs must notify the state of any changes in scope of services. Adjusted PPS rates will incorporate additional costs, visits and applicable data.
 - b. Cost report reviews: Medicare cost reports are desk-reviewed to restore Medicaid-covered costs (including applicable overhead) excluded by Medicare. Non-Medicaid costs will remain excluded.
 - c. Ongoing reporting: FQHCs must submit cost reports annually to support state auditing and track any unreported reductions in scope of services.
4. New and existing clinics:
 - a. For clinics operational in FY 1999 and FY 2000, the state will use the relevant Medicare cost reports for those years.
 - b. For clinics established after FY 2000, the state will assign an interim PPS rate based on the average rate of comparable clinics or, if unavailable, the statewide average. This interim rate will be adjusted after submission of actual cost reports.

In addition, SCDHHS will update the citation for the Uniform Administrative Requirements, Cost Principles and Audit Requirements to 2 CFR Part 200.

Finally, SCDHHS will add the following clarification to the requirements for qualifying for a change in scope of services:

1. A change in scope of service qualifies for a PPS/APM rate adjustment only when: (1) the cost per visit specifically attributable to the scope change differs from the FQHC's current PPS/APM rate in effect at the time the change was submitted for approval and (2) the magnitude of that difference results in at least a 5 percent change compared to the applicable baseline per visit rate.
2. If the cost per visit attributable to the scope change is greater than the current PPS/APM rate and meets the 5 percent threshold, the state would apply an upward rate adjustment.
3. If the cost per visit attributable to the scope change is less than the current PPS/APM rate and meets the 5 percent threshold, the state may apply a downward rate adjustment.
4. To determine whether the 5 percent threshold is met, the cost per visit attributable solely to the scope change is divided by the applicable baseline per visit rate.

Based on the actions above, SCDHHS anticipates an annual cost savings of approximately \$150,000 total dollars.

Copies of this notice are available at each South Carolina Health Connections Medicaid county office and at www.scdhhs.gov for public review. Additional information regarding these actions is available upon request at the address cited below.

Any written comments submitted may be reviewed by the public at SCDHHS, Division of Ancillary Reimbursements, 1801 Main Street, Columbia, South Carolina, Monday through Friday between 9 a.m. and 5 p.m.

Eunice Medina
Director

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