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MEMORANDUM

TO: All Providers
Interested Parties

FROM: Beverly A.H. Buscemi, Ph.D., State Director *Beverly A.H. Buscemi PhD*

RE: Medicaid Public Notice

DATE: June 6, 2011

Today, the South Carolina Department of Health and Human Services (DHHS) published the attached public notice. The notice outlines the major actions that DHHS proposes for the upcoming fiscal year to reduce state Medicaid expenditures by $125 million.

DDSN is still reviewing the document and analyzing its impact to our system. We will give you an update as soon as possible.

In the meantime, please review it and share it widely with families, consumers, advocates and other interested parties. DHHS is accepting comments until July 6, 2011. The public notice is posted on the DHHS website and also on the DDSN website under "Recent News."

Attach.
cc: Mr. Tom Waring, Associate State Director-Administration, DDSN
Mr. David Goodell, Associate State Director-Operations, DDSN
Dr. Kathi Lacy, Associate State Director-Policy, DDSN
Mr. John King, Director-District I, DDSN
Mr. Rufus Britt, Director-District II, DDSN

PUBLIC NOTICE
SOUTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

Payment to Medicaid Providers Reduced and Beneficiary Co-payments Increased July 8, 2011

The South Carolina Department of Health and Human Services (SCDHHS), as required by Federal Regulations of Title 42 Part 447 Section 205, gives notice of the following proposed cost savings measures regarding its methods and standards of reimbursement for Medicaid services provided under the State Plan under Title XIX of the Social Security Act Medical Assistance Program.

With confidence that there will still be sufficient reimbursement to provide adequate access to care, SCDHHS is proposing the following changes to maintain expenditures within budget appropriations for State Fiscal Year 2012. SCDHHS estimates that combined with the April 8, 2011 3% rate reduction these recommendations will maintain expenditures within appropriated funds during State Fiscal Year 2012. Any Medicaid service described that is provided by state agencies and cost settled will not be impacted by this action unless noted.

SCDHHS has actively engaged providers in the discussion concerning the Medicaid budget and unprecedented budget shortfalls during this and the upcoming budget cycle. The agency has provided forums and meeting opportunities to discuss and gather input on ways to address the need to reduce expenditures and continue to provide quality care. No adverse effect on available care for the Medicaid population is expected but SCDHHS will monitor the impact of all changes. Because capitation premiums to the managed care plans are based on fee-for-service (FFS) rates, these adjustments will also reflect cost savings in managed care initiatives.

As a result of the proposed actions described, total annual Medicaid expenditures are expected to decrease by approximately $238 million.

Non-institutional Rate Reductions

Effective for services provided on or after July 8, 2011, SCDHHS will reduce provider payments by the amount indicated below. Providers incurred a 3% reduction on April 8, 2011. The reductions in this notice are in addition to the previous reduction.

Children's Personal Care (see Home and Community Based Waiver Services)

Clinic Services
- 4% rate reduction (does not include FQHCs and RHCs)

Dental Services
- 3% rate reduction (including any waiver services offered by these providers)

Durable Medical Equipment
- Expenditure reductions taken through updated state specific fee schedule

Home and Community Based Waiver Services (includes waivers operated by both SCDHHS and the SC Department of Disabilities and Special Needs)
- 2% rate reduction for the following services: Case Management, Personal Care I, Personal Care II (including State Plan Children's Personal Care), Attendant Care (including Head and Spinal Cord Injury Waiver Attendant Care), Companion, Private Duty Nursing (including State Plan and enhanced nursing for children), Adult Day Care, Adult Day Care Transportation, Adult Day Care Nursing, Adult Care Home, Home Delivered Meals, Bath Safety items, Pest Control, Telemonitoring, Environmental Modifications (payment will be reduced from 97% to 95% of billed/authorized amount),

Nutritional Supplements (payment will be reduced from 97% to 95% of billed/authorized amount), Specialized Supplies and Equipment (payment will be reduced from 97% to 95% of billed/authorized amount), Care Coordination, and Pediatric Medical Day Care
- Expenditure reductions taken through updated incontinence supplies fee schedule based on the discontinuation of the bid process
- The rate for the Personal Emergency Response Service (PERS) will be reduced to $30 for both installation and monthly monitoring

Home Health Services
- 4% rate reduction

Integrated Personal Care (Personal Care Aides in a community residential care facility)
- 7% rate reduction

Lab and X-ray
- 7 % rate reduction

Medical Professionals (including any waiver services offered by these providers)
- Podiatrist, Audiologist, Speech, Physical and Occupational Therapist, Licensed Independent Professional/Behavioral Health providers, Psychologist, Chiropractor - 7% rate reduction
- Optometrist - 5% rate reduction (based on state regulations requiring parity with Ophthalmologist)
- CRNA – 3% reduction reflected from Anesthesiologist rate
- Nurse Practitioner, Nurse Midwife and Licensed Nurse Midwife – reduction reflected as a percentage of applicable physician rate

Non-Broker Provided Transportation
- 4% rate reduction

Pharmacy Services
- Reduce reimbursement from AWP minus 13% to AWP minus 16% (including waiver prescription medications)
- Reduce dispensing fee from $4.05 to $3.00 (including waiver prescription dispensing fees)

Physician Services
- Pediatric Subspecialist, excluding Neonatologist – 2% rate reduction
- Reduce Labor and Delivery reimbursement from $1164 to $1100 for Vaginal delivery and $1000 for C-section delivery
- Family Practice, General Practice, Osteopath, Internal Medicine, Pediatrics, Geriatrics, - 2% rate reduction
- Anesthesiologist – 3% rate reduction
- All other physicians, excluding Obstetrics, OB/GYN, Maternal Fetal Medicine - 5% rate reduction
- EPSDT Well Visit codes – 2% rate reduction

Private Duty Nursing (see Home and Community Based Waiver Services)

Inpatient/Outpatient Hospital Rate Reductions

For inpatient hospital discharges occurring and outpatient hospital services provided on or after July 8, 2011, the following actions are proposed. The proposed actions listed below will not impact Medicaid inpatient and outpatient hospital services provided by qualifying burn intensive

care unit hospitals, critical access hospitals, isolated rural and small rural hospitals as defined by Rural/Urban Commuting Area classes.

With confidence that there will still be sufficient reimbursement to provide adequate access to care, SCDHHS is proposing these changes in an effort to ensure that inpatient and outpatient hospital expenditures remain within budgeted funds during State Fiscal Year 2012.

Inpatient Hospital Specific Per Discharge Rates

- Inpatient hospital specific per discharge rates for the following hospitals will be reduced to 93% of the October 1, 2010 per discharge rate:
  - Private general acute care hospitals,
  - Non-profit general acute care hospitals,
  - Non-state owned governmental SC general acute care hospitals, and
  - Out of state border hospitals with SC Medicaid inpatient utilization of at least 200 inpatient claims (per the hospital's 2006 base year cost report).

- All other SC non-general acute care hospitals and out-of-state contracting hospitals that receive the SC statewide average per discharge rate will receive a rate reduced to 93% of the October 1, 2010 SC statewide average per discharge rate.

Hospital Specific Inpatient Per Diem Multipliers

- While there will be no update to the statewide per diem rates, the hospital specific per diem multipliers for qualifying hospitals will be reduced to 93% of the October 1, 2010 hospital specific inpatient per diem multipliers.

- All hospitals receiving a hospital specific per diem multiplier of .97 will have its per diem multiplier reduced to .93.

Inpatient Hospital Retrospective Cost Settlements

- Retrospective cost settlements will continue to be made for qualifying hospitals but will be limited to 93% of allowable Medicaid reimbursable costs for discharges occurring on or after July 8, 2011.

Private and non-profit Long Term Psychiatric Hospitals

- Inpatient per diem rates will be reduced to 93% of the October 1, 2010 per diem rate.

Outpatient Hospital Specific Multipliers

- While there will be no update to the October 1, 2007 SC Medicaid outpatient hospital fee schedule rates, the hospital specific outpatient multipliers will be reduced to 93% of the October 1, 2010 outpatient multipliers.

- All hospitals receiving a hospital specific outpatient multiplier of .97 will have its outpatient multiplier reduced to .93.

Outpatient Hospital Retrospective Cost Settlements

- Retrospective cost settlements will continue to be made for qualifying hospitals but will be limited to 93% of allowable Medicaid reimbursable costs for services provided on or after July 8, 2011.

Outpatient Hospital Clinical Lab Services

- Outpatient hospital clinical lab services will be reimbursed at 90% of the 2010 Medicare Clinical Lab Fee Schedule rates.

Other Proposed Actions

- Due to a proviso ending June 30, 2011 the largest teaching hospital in the state will be subject to the same inpatient and outpatient hospital rate/multiplier reductions proposed above and below.
- SCDHHS proposes to eliminate payment for Hospital Acquired Conditions per federal regulations.
- SCDHHS proposes to discontinue reimbursing out of state border hospitals for graduate medical education (direct and indirect medical education) costs relating to intern/resident programs as well as direct medical education costs related to allied health programs and will adjust inpatient per discharge rates, per diem multipliers and outpatient multipliers accordingly.
- SCDHHS proposes to reduce graduate medical education (direct and indirect) costs for SC teaching hospitals (including intern/resident and allied health programs) by 10% and adjust inpatient per discharge rates, per diem multipliers and outpatient multipliers accordingly. Cost settlements will be adjusted accordingly for inpatient discharges and outpatient hospital services to account for the reduction in allowable graduate medical education costs.

Nursing Facility and Intermediate Care Facilities for the Mentally Retarded (ICF-MR) Rate Reductions

With confidence that there will still be sufficient reimbursement to provide adequate access to care, SCDHHS is proposing these changes in order to ensure that nursing facility and ICF-MR expenditures remain within budgeted amounts during State Fiscal Year 2012.

Effective for services provided on or after July 8, 2011, SCDHHS proposes to amend the payment methodology for hospice room and board services provided in nursing and ICF-MR facilities by reimbursing at 95% of the April 8, 2011 payment rates.

SCDHHS proposes to amend the reimbursement methodology for ICF-MR by limiting Medicaid reimbursement to 97% of allowable Medicaid reimbursable costs effective for services provided on or after July 8, 2011. Therefore, current Medicaid reimbursement rates for ICF-MR will be reduced by 3%.

As a result of the proposed action relating to the reduction in the hospice room and board payment for services provided in all nursing facilities on or after July 8, 2011, the weighted average rate is projected to be $144.13. The weighted average April 8, 2011 rate was $148.69. This represents a weighted average per diem decrease of $4.56 per Medicaid patient day or a 3.07% decrease. As a result of the proposed action relating to the reduction in the hospice room and board payment for services provided in ICF-MR on or after July 8, 2011, the weighted average rate is projected to be $262.29. The weighted average April 8, 2011 rate was $278.95. This represents a weighted average per diem decrease of $16.66 per Medicaid patient day or a 5.97% decrease.

As a result of the proposed action relating to the Medicaid reimbursement methodology changes for ICF-MR effective for services provided on or after July 8, 2011, the weighted average rate for state owned/operated ICF-MR is projected to be $276.10. The weighted average April 8, 2011, rate was $284.64. This represents a weighted average per diem decrease of $8.54 per Medicaid patient day or a 3% decrease.

Increase in Co-payment

SCDHHS will increase the beneficiary co-payment amount of $2.30 to $3.30 for the following services:

- Doctor office visits
- Home Health visits
- Clinic visits
- Optometrist visits

All other copayment amounts will remain the same. Co-payments do not apply to persons under 19 years of age.

Effective July 8, 2011, persons age 19 and older who are enrolled in a Medical Home Network must make a co-payment for their medical services according to established policy.

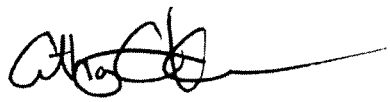
Services Provided When There Is Third Party Coverage Including Medicare

In addition to the reimbursement changes above, effective for claims received on or after August 1, 2011, SCDHHS proposes to update the methods and standard for payment of professional claims with third party coverage including Medicare. The Medicaid payment will be the Medicaid allowed amount less the amount paid by the third party. If the provider has contracted to accept an amount less than the Medicaid allowed or the provider files an assigned claim for a dual eligible recipient, the Medicaid payment may not exceed the sum of the third party coinsurance and deductible.

Comments

Copies of this notice are available for public review at each County Department of Health and Human Services Office and www.scdhhs.gov. Additional information regarding this action is available upon request at the address cited below.

Written comments may be submitted to Comments@scdhhs.gov or to the South Carolina Department of Health and Human Services, Bureau of Reimbursement Methodology and Policy, Klondike Building, Room K112, 1813 Main Street, Columbia, South Carolina, 29201-2409. Written comments must be received no later than 5:00 p.m July, 6 2011. Comments may be reviewed by the public between the hours of 9:00 a.m. and 5:00 p.m Monday through Friday or at www.scdhhs.gov.



Anthony Keck
Director
South Carolina Department of Health and Human Services