

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR**

ACTION REFERRAL

TO <i>Wells</i>	DATE <i>12-3-08</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>100302</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>CC: Mrs. Farber, Depo</i> 	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <i>2-10-09</i> DATE DUE _____ <input type="checkbox"/> FOIA DATE DUE _____ <input type="checkbox"/> Necessary Action

APPROVALS <small>(Only when prepared for director's signature)</small>	APPROVE	* DISAPPROVE <small>(Note reason for disapproval and return to preparer.)</small>	COMMENT
1.			
2.			
3.			
4.			

Department of Health & Human Services
Centers for Medicare & Medicaid Services
61 Forsyth St, Suite: 4120
Atlanta, Georgia 30303-8909



December 3, 2008

RECEIVED

Ms. Emma Forkner, Director
South Carolina Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

DEC 03 2008
Department of Health & Human Services
OFFICE OF THE DIRECTOR

Dear Ms. Forkner:

We have reviewed the proposed State Plan Amendment (SPA) 08-021, submitted to convert from the CPE funding arrangement to an IGT funding arrangement for the applicable state agencies that provide Special Needs Transportation Services and Targeted Populations Transportation Services. It also revises the special needs transportation rate from a daily rate to a route rate. In order for CMS to better understand the services and reimbursement methodology proposed by the State in SC 08-021, we believe that additional information is required. Enclosed you will find a Request for Additional Information ("RAI") that includes all of the outstanding issues.

If you have any questions related to this RAI, please contact Mark Halter on financial issues or Elaine Elmore on programmatic issues. Mr. Halter can be reached at 404-562-7419 and Ms. Elmore can be reached at 404-562-7417. This written request for additional information stops the 90-day clock for the approval process on this SPA, which would have expired on December 4, 2008. Upon CMS approval, FFP will be available for the period beginning with the effective date through the date of actual approval.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Kaye Justis".

Mary Kaye Justis, RN, MBA
Acting Associate Regional Administrator
Division of Medicaid and Children's Health Operations

Enclosure

Centers for Medicare & Medicaid Services, Region IV / Atlanta
Request for Additional Information (RAI)
South Carolina SPA 08-021
December 3, 2008

Based on the submitted 4.19-B pages, South Carolina appears to pay reconciled cost for both their Special Needs transportation and Targeted Populations transportation program. In developing a cost identification process, CMS must approve the cost report, line item costs, allocation methodology and, in most instances, the time study used to identify Medicaid cost. When actual cost is paid, an interim rate may be used, but interim payments must be reconciled on an annual basis to actual cost at the level of the provider identified through the CMS-approved methodology. The provider must have a cost-accounting system in place to appropriately identify, out of the total pool of costs incurred in providing services to all of its clients, only those that represent expenditures made on behalf of Medicaid beneficiaries. The state must provide all the components below for CMS review (including the cost reports and instructions).

- Identification of the specific direct costs (salaries and fringes of the direct medical personnel and non-personnel direct medical supplies and equipment).
 - a. The State may include any personnel with direct responsibility for providing transportation services to students. Specifically, CMS will permit the inclusion of cost associated with bus drivers, substitute bus drivers and mechanics.
 - b. CMS will review all types of personnel proposed for inclusion, to that end, CMS requests in writing a listing of the types of personnel that are included in the direct cost pool and their object code description. The state should remove the cost of schedulers and coordinators as these are viewed as overhead cost.
 - c. The State should also provide a description of the districts' expenses, supplies, and purchased services.
 - d. In addition, please explain the source of the direct cost data and whether it is based on actual expenditures rather than budgeted amounts. Does SC rely on audited data?
 - e. Note: the State Department of Education costs are all viewed as overhead costs and are not eligible for inclusion in the direct cost pool.
- The indirect cost rate used or identification of the specific indirect costs.
 - a. Does South Carolina uniformly apply an indirect cost rate assigned by the cognizant agency in the calculation of indirect cost? If so, please provide the rate that was used for each year. If not, please

explain. Note: If SC has an indirect cost rate then no other indirect cost outside of that rate may be included in the calculation.

- b. Does South Carolina have a methodology that identifies indirect cost through the cost allocation plan? Note: If SC has a methodology that identifies indirect cost through the cost allocation plan then only those indirect costs from the cost allocation plan can be included in the calculation of cost.
- c. South Carolina must demonstrate that separately identified indirect cost as noted in the above question may be identified under the approved cost allocation plan. Please provide CMS with primary source documentation to show that these additional indirect costs are permissible under the CAP. Please document which outside agencies contributed to the calculation of indirect cost.
 - Use of a CMS-approved statistically valid time study to identify the time spent providing medical services (if required),
 - An allocation methodology to Medicaid. Please note that CMS permits the final allocation of cost to Medicaid to be made only on the basis of one way trips, not mileage.
 - The methodology used to determine the interim payment amount,
 - The reconciliation procedures between interim payments and the actual total costs at the provider level on annual basis, and
 - The cost settlement process.

Additional questions

1. In addition, please explain the difference between the special needs and targeted populations programs. It appears that some providers under the targeted populations programs are private providers, the state plan does not indicate that these providers are paid reconciled cost. What is the reimbursement process for these private providers?
2. For those transportation services that are paid on a rate basis (TTP and Foster parents transportation, p. 6h.4, art. 4.19-B) and not reconciled, the state will need to add the following language in order to meet state plan requirements for comprehensiveness, "The agency's rates were set as of (insert date here) and are effective for services on or after that date. All rates are published (ex. on the agency's website). Except as otherwise noted in the plan, state developed fee schedule rates are the same for both governmental and private."

Public Notice & Federal Budget Impact

No public notice documents were received with this SPA submission. CMS is required to evaluate the accuracy of the State's estimate of the Federal budget impact of each SPA.

- Please provide a copy of the public notice issued for SPA 08-021, which should include the estimated total computable impact in FYs 2009 and 2010. If a public notice has not been issued, please provide the basis for non-issuance under 42 CFR 447.205.
- Please provide the analysis utilized in support of the estimate of a \$0 federal budget impact in FYs 2009 and 2010 as a result of the move from a daily rate to a route rate for special needs transportation.

Follow-Up to Standard Funding Questions

Funding question # 2 notes that, if the appropriation is not made directly to the Medicaid agency, the source of the state share will necessarily be derived through either an IGT or CPE, and requests that: "In this case, please identify the agency to which the funds are appropriated. Please provide an estimate of total expenditure and State share amounts for each type of Medicaid payment." This information was not provided in the State's original response.

- For the below chart provided in response to Question #2 in SCDHHS' Sept. 4, 2008 SPA submission, please provide an estimate of the total expenditure and state share amounts in relation to, respectively, the IGTs from SDE, DMH, Will Lou Grey, and School for Deaf and Blind, and from the LEAs (in the aggregate).

SCDHHS Response:

Service/Payment Program	Source of Funding
Special Needs Transportation	Intergovernmental Transfers (IGTs) from State Dept. of Education which is actually State Appropriations
Targeted Populations Non-Emergency Transportation (NET) Services -- Private Providers	Private Donations from United Way
Targeted Populations NET Services-- State Agencies	IGTs from Dept. of Mental Health, Will Lou Grey and School for Deaf and Blind which are actually State Appropriations
Targeted Populations NET Services-- LEAs	IGTs from Local Education Agencies

- In relation to the IGTs from of each of the above-described governmental entities, please provide a description of the funds matching arrangement, including when the State Medicaid agency receives the transferred amounts from the entity transferring the funds, and when the total computable payment is made.