

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR

**ACTION REFERRAL**

TO <i>Hess</i>	DATE <i>4-3-12</i>
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<b>DIRECTOR'S USE ONLY</b>	<b>ACTION REQUESTED</b>
1. LOG NUMBER <i>101384</i>	<input type="checkbox"/> I Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>CC: Mr. Toek, Singleton, Dupes</i> <i>CUS file</i>	<input type="checkbox"/> I Prepare reply for appropriate signature DATE DUE _____ <input type="checkbox"/> I FOIA DATE DUE _____ <input checked="" type="checkbox"/> Necessary Action

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

Department of Health & Human Services  
Centers for Medicare & Medicaid Services  
61 Forsyth Street, Suite 4T20  
Atlanta, Georgia 30303



March 28, 2012

**RECEIVED**

APR 02 2012

Mr. Anthony E. Keck  
Director  
Department of Health and Human Services  
P.O. Box 8206  
Columbia, South Carolina 29202-8206

Department of Health & Human Services  
OFFICE OF THE DIRECTOR

Re: Disproportionate Share Hospital Audits and Reports Acknowledgement

Dear Mr. Keck:

The purpose of this letter is to acknowledge receipt of your December 22, 2011 submission of South Carolina's State plan rate year (SPRY) 2008 Disproportionate Share Hospital (DSH) audit and report. After an initial screening to assure basic submission standards, it appears that the minimum elements required by the DSH rule have been included in your submission. CMS received the following in your submission package:

- SPRY 2008 South Carolina Department of Health and Human Services Independent Audit of DSH Verifications
- SPRY 2008 Clifton Gunderson LLP Statement of Independence

However, this screening revealed items that need further clarification or documentation by South Carolina. The data elements required by 42 CFR 447.299 (c)(3) and (4) state that the Medicaid Inpatient Utilization Rate (MIUR) and Low Income Utilization Rate (LIUR) be update each year based on the actual data reported for the State Plan Rate Year (SPRY). Based on the report submitted the MIUR and LIUR was based on SPRY 2005. For future submission the State must update the MIUR and LIUR based on the requirements of the regulations.

This acknowledgement, however, does not constitute notice of a completed review or approval of the content of the State's submission.

As you know, CMS promulgated CMS-2198-F on December 19, 2008, with an effective date of January 19, 2009. The final rule implements Section 1001 of the Medicare Drug, Improvement and Modernization Act of 2003, requiring State reports and audits to ensure the appropriate use of Medicaid DSH payments and compliance with the statutorily imposed hospital-specific limits. Statute requires that States submit an annual report and an independent certified audit in order to receive Federal Financial Participation (FFP).

To facilitate the audit and reporting process, CMS issued to States the following guidance relating to the final rule (these materials are available on the CMS website at <http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Financing-and-Reimbursement/Financing-and-Reimbursement.html>):

- General DSH Audit and Reporting Protocol
- DSH Report Format

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- Operational Guidance Letter dated July 27, 2009

- Additional Information on the DSH Reporting and Audit Requirements

The final rule also provided a transition period to States for SPRYs 2005 through 2010. This period was designed to allow adequate time for CMS, States, auditors, and hospitals to work cooperatively in developing and refining DSH reporting and auditing techniques required by statute and regulation while attempting to mitigate or to eliminate immediate and future fiscal impact realized by States and hospitals. During this transition, CMS will continue to work with States that make a good faith effort to fulfill all of the DSH reporting and auditing requirements.

In the spirit of this cooperative relationship, CMS has initiated a preliminary review of the State's current submission. This review will be conducted based only on the submitted materials listed above. CMS recognizes that the State may have included in its initial submission only materials that it determined relevant, and encourages the State to submit any additional material or supporting documentation that was not originally included with the initial submission.

In fiscal year 2011, CMS conducted in-depth reviews of a State and hospital in eight different regions of the country in an attempt to obtain a nationwide representation of audit implementation. In a continuing effort to obtain a nationwide representation of audit implementation, CMS is conducting similar in-depth reviews for fiscal year 2012 of a State and hospital in two additional regions. This national effort is intended to produce a greater understanding of how states, hospitals, and auditors completed the initial DSH audits and reports.

We will facilitate further dialogue with your agency and look forward to continued efforts and commitment on behalf of both our agencies in ensuring that the DSH audits and reports comport with section 1923(j) of the Social Security Act, implementing regulations at 42 CFR 447.299 and 42 CFR 447 Subpart D, and related guidance.

CMS remains committed to engaging in open dialogue with the State to discuss this preliminary review and provide technical guidance, as necessary, in an effort to ensure that any adverse financial impact on the South Carolina Medicaid program and its hospitals is averted. Thank you in advance for your willingness to continue working with us. Should the State have any questions regarding the DSH rule requirements or the review process itself, please feel free to contact Stanley Fields at (502) 223-5332.

Sincerely,



Jackie Glaze  
Associate Regional Administrator  
Division of Medicaid and Children's Health Operations