

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

TO <i>Wells</i>	DATE <i>1-30-08</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000682</i>	<input checked="" type="checkbox"/> Prepare reply for the Director's signature DATE DUE <i>7-8-08</i>
2. DATE SIGNED BY DIRECTOR <i>cc: Ms. Forner, Myers Closed 7/8/08 attached.</i>	<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____ <input type="checkbox"/> FOIA DATE DUE _____ <input type="checkbox"/> Necessary Action

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

SCAHHP

June 27, 2008

RECEIVED

JUN 30 2008

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Emma Forkner
Director
Department of Health and Human Services
P. O. Box 8206
Columbia, SC 29202-8206

Dear Ms. Forkner:

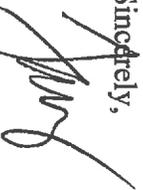
It has come to my attention that SCDHHS has recently released outpatient hospital multipliers which convert the statewide outpatient hospital FFS reimbursement schedule to hospital-specific effective July 4, 2008 and retroactive October 2007.

These multipliers reflect a significant increase in reported hospital costs. On behalf of all MCO's participating in the South Carolina Medicaid Program, I would like to meet with you as soon as possible to discuss your timeline for the updating of the managed care rates to reflect this increased cost, as this change has a direct impact on the financial health of the MCO's.

In addition, I would like to discuss the possibility of a methodology of including the MCO's on these decisions prior to implementation. Our actuary acted very quickly to indicate to us the material impact of this decision on the MCO's. We would like to review our findings with you to assist in your updating of the MCO rates accordingly.

This issue is paramount to the financial viability of our MCO's. I appreciate your prompt attention to this matter:

Sincerely,



Larry C. Marchant, Jr.
Executive Director

cc: William Wells, Beverly Hamilton, Jennifer Campbell

South Carolina Alliance of Health Plans

3020 Devine Street, Suite A • Columbia, SC 29205 • 803-771-9855 • 803-771-9752 (fax) • www.scalliance.org

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

TO <i>Wells</i>	DATE <i>6-30-08</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000682</i>	<input checked="" type="checkbox"/> Prepare reply for the Director's signature DATE DUE <i>7-9-08</i>
2. DATE SIGNED BY DIRECTOR <i>cc: Ms. Fortney, Myers</i>	<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____ <input type="checkbox"/> FOIA DATE DUE _____ <input type="checkbox"/> Necessary Action

APPROVALS (Only when prepared for director's signature)	APPROVE	* DISAPPROVE (Note reason for disapproval and return to preparer.)	COMMENT
1.			
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Reg 682 ✓

State of South Carolina
Department of Health and Human Services

Mark Sanford
Governor

July 8, 2008

Emma Forkner
Director

Mr. Larry C. Marchant, Jr.
Executive Director
South Carolina Alliance of Health Plans
3020 Devine Street, Suite A
Columbia, South Carolina 29205

Dear Mr. Marchant: *Larry*

Thank you for your letter of June 27, 2008, regarding your concerns about a recent update to Medicaid outpatient hospital reimbursement methodology and potential financial impact on Managed Care Organizations (MCO's).

It is my understanding that you had a productive meeting with members of my staff on July 2, 2008. As discussed in the meeting, SCDHHS will be happy to review analysis and estimated financial impact prepared by your actuary. As you know, our ability to address Medicaid rate issues in general is constrained by our budget, and we will carefully consider your request in consultation with our actuaries.

In conjunction with the rate setting process for the April 1, 2009 MCO rates, SCDHHS actuaries will review fee for service (FFS) data and MCO encounter data to analyze the financial impact of the outpatient multiplier on FFS claims and MCO encounters retrospectively to October 2007. The SCDHHS actuaries will take this data into consideration in setting the April 1, 2009 rates and will also be asked to recommend any retrospective adjustment that may be required to maintain the actuarial soundness of the MCO rates paid between October 1, 2007 and March 31, 2009.

I hope this meeting helped to resolve your concerns. Please be assured that we value the role of the MCO's in serving our Medicaid beneficiaries, and we will continue to strive to maintain open lines of communication and transparency in the rate-setting process.

Sincerely,

Handwritten signature of Emma Forkner in black ink.

Emma Forkner
Director

EF/wh