

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

**ACTION REFERRAL**

TO	DATE
<i>Singleton/Charis</i>	<i>6-4-14</i>

DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000397</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>cc: Mr. Keck, Kost, Deps, Clls file</i>	<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____
	<input type="checkbox"/> FOIA DATE DUE _____
	<input checked="" 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.			
3.			
4.			

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
Atlanta Regional Office  
61 Forsyth Street, Suite 4T20  
Atlanta, Georgia 30303



DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS

May, 21 2014

SC-14-002

**RECEIVED**

JUN 02 2014

Department of Health & Human Services  
OFFICE OF THE DIRECTOR

Mr. Anthony E. Keck, Director  
Department of Health & Human Services  
1801 Main Street  
Columbia, SC 29201-8206

Dear Mr. Keck:

The Centers for Medicare & Medicaid Services (CMS) approves the sole source contract with Magellan Medicaid Administration for a Pharmacy Benefit Management (PBM) system retroactively to March 19, 2014 in accordance with 45 CFR 95.611, and 95.623. The state was unable to complete the competitive procurement of a replacement contract prior to the expiration of the existing agreement on March 18, 2014. In order to complete the competitive procurement process CMS will limit the initial approval of this interim month-to-month contract to 18 months, or until replaced by a competitively procured vendor, whichever occurs first.

CMS also approves the corresponding Operational Advance Planning Document-Update (OAPD) in accordance with 45 CFR Part 95.610, which depicts the operational activities and expenditures of the Pharmacy Benefit Management system contract with Magellan Medicaid Administration, and to document its projected budget until September 30, 2014. The state must submit an OAPD for FY 2015 in order to claim funding for the remaining period approved under this notice. In addition to the references used above CMS considered Section 1903(a)(3) of the Social Security Act, as well as Part 11 of the State Medicaid Manual (SMM). As requested in the OAPD, CMS approves funding in the amount of \$3,871,881 (\$2,901,765 Total federal financial participation; \$2,900,049 at 75%; \$1,716 at 50%) for system operations and maintenance. Funding approval will expire on September 30, 2014.

As specified in 42 CFR § 433.112, South Carolina must align the PBM project with the Seven Standards and Conditions for enhanced Medicaid funding. The state will also demonstrate how the PBM project is integrated with the state's Replacement Medicaid Management Information System (MMIS) program, as Point of Sale (POS) claims adjudication, prospective and retrospective drug utilization review, and other pharmacy related-activities will be functions of this project's system solution.

Mr. Anthony E. Keck  
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South Carolina is also reminded that onsite reviews will be conducted to determine whether or not the objectives for which FFP was approved are being accomplished, and whether or not the automatic data processing (ADP) equipment or services are being efficiently and effectively utilized in support of approved programs or projects as provided for at 45 CFR Part 95 § 621 and the SMM. As provided by the SMM, Section 11200 and by 45 CFR § 95.611, all subsequent revisions and amendments to the APD will require CMS prior written approval to qualify for FFP. In accordance with 45 CFR § 95.623, state acquisition of ADP equipment and services without prior approval could result in disallowance of FFP.

In addition, continued federal funding for this contract is contingent upon the state initiating monthly submission of the Transformed Medicaid Statistical Information System (T-MSIS) format beginning in early 2014. Data submissions are expected to meet quality validation routines for acceptance within 30 days of the reporting month. MSIS formats will no longer be accepted as part of this transition.

Should the MMIS fail to maintain and produce all federally required program management data and information, including the required T-MSIS, eligibility, provider, and managed care encounter data, in accordance with requirements in Part 11 of the State Medicaid Manual and the approved APD for this effort, FFP may be suspended or disallowed as provided for in federal regulations at 45 CFR 95.612.

Any changes to previously approved contracts for this effort require CMS prior approval pursuant to 45 CFR 95.611. Allowable costs are determined by 42 CFR Part 433.116, 45 CFR Part 92, 45 CFR Part 95, Subpart F, and Part 11 of the State Medicaid Manual. All costs identified in the APD are understood to be estimates only. Only actual costs incurred are reimbursable. The state must provide adequate support for all costs claimed in addition to providing detailed records and proper audit trails.

If there are any questions concerning this information, please contact David Hinson at (404) 562-7411 or via e-mail at [lawrence.hinson@cms.hhs.gov](mailto:lawrence.hinson@cms.hhs.gov).

Sincerely,



Jackie Glaze

Associate Regional Administrator  
Division of Medicaid & Children's Health Operations