

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

TO	DATE
Bosling	3-13-07

DIRECTOR'S USE ONLY	ACTION REQUESTED	
1. LOG NUMBER 000588	<input checked="" type="checkbox"/> Prepare reply for the Director's signature DATE DUE <u>3-20-07</u>	
2. DATE SIGNED BY DIRECTOR	<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____ <input type="checkbox"/> FOIA DATE DUE _____ <input type="checkbox"/> Necessary Action	
Ref log #s 573, 583, 584 Cleared 4/27/07 letter attached.		

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

From: Bryan Kost
To: MALONE@scdhs.gov
Date: 3/12/2007 5:43:13 PM
Subject: new log

*Los - Bowler's
"Kathy's Sign"*

Hi:
can we please add Rep. Garry Smith to the list of the other three who asked about DME Friday- same
guy, same issue.

bk

Bryan Kost
DHHS Public Information
803.898.2865
cell- 429.3201
kostbr@scdhs.gov

RECEIVED

MAR 13 2007

Department of Health & Human Services
OFFICE OF THE DIRECTOR

From: "GARRY SMITH" <SMITHG@SCHOUSE.ORG>
To: <kostbr@scdhhs.gov>
Date: 3/12/2007 5:26:00 PM
Subject: Fwd: eliminate state tax (medicaid problem)

Bryan, can you help me with this?

Garry R. Smith
South Carolina House of Representatives
District 27
Greenville County
www.garrysmith.org

From: "Steve Hardee" <swhardee@charter.net>
To: <SmithG@schouse.org>
Date: 3/11/2007 4:56:28 PM
Subject: eliminate state tax (medicaid problem)

Representative Smith, my name is Steve Hardee. I am a paralyzed veteran living in Simpsonville and I sincerely request your viewing of the attached concern of an equipment vendor for our children on Medicaid in our state.

Thanks,

Steven W. Hardee
501 Boyd Avenue
Simpsonville, SC 29681

From: Brown, Jeff

Sent: Wednesday, March 07, 2007 7:39 PM

Subject: WE and our SC Medicaid dependent children need your help now! Get the word out!

Importance: High

I really need your help and so do our SC Medicaid children.

Whew! It is a long story but, I'll make it as short as I can. I have been providing seating, mobility, rehabilitation, and AT equipment to physically challenged children in our state for over 20 years with compassion. I'm not in it to get rich nor will I ever be from doing it. I do it because I love it and them. I can no longer stand idly by or work and not pay attention to what has happened in our state.

Our state is making it traumatically difficult for us to supply reasonable quality medical equipment for kids in our state who have Medicaid. The majority of client's we serve are kids who are on Medicaid (60-75% of our business). The same is true for other business like ours across the state (50-85% in others). I know that because I know most all of the other suppliers in the state that do what we do.

I was hoping there would be a way to email this to everyone in The Family Connection across our state and the AT list serve. I need to reach each and everyone.

We all, as parents, need to rally into action to appeal to each of our local state legislators (State senators and congressmen in the districts in which we all live) to change some things in the state Medicaid budget and an unfair sales taxes law that combined, are drastically effecting reasonable equipment provision to the Medicaid children in our state. In other words things are not good. Some companies will no longer be able to do specialty wheelchairs and rehabilitation type equipment or will go out of business because the reimbursement is so low from our state Medicaid.

Medical equipment suppliers in SC have to pay sales tax on every piece of equipment they provide with out being able to collect it from the consumers. This is like an addition 6% of overhead for us and we and other companies like us are staffed to the bare minimum now. Can you imagine if a family with Medicaid had to pay 6% of a twenty thousand dollar power chair? If they could do that they probably wouldn't need Medicaid. And, it's not like a person on Medicaid who has quadriplegia kind of needs this type of chair. It is a requirement for their daily livelihood and well being if it is what they truly need. Some hospitals in our state have separate divisions and employ their own durable medical equipment (DME) people and provide products directly to consumers just like we do. Most of them do not provide much more than basic DME to people, because they do not have highly trained CRTS's (Certified Rehabilitation Technology Suppliers) on staff to evaluate more complex seating and mobility issues and concerns. Yet, if they provide DME to a consumer they are tax exempt because they are a facility. So, if a doctor from that same hospital gives us a referral Rx to provide a specialized wheelchair or positioning device to their patient that they could have provided the equipment for if they had hired the expertise, we will still have to pay the sales tax even though, we get the same reimbursement that they would have also gotten due to the fixed rates of the fee schedules of not only Medicaid but all Payers. The only difference is that we are out 6% for extending the doctors same plan of care because we are not a facility.

Also, our state legislators when they did up our last state Medicaid Budget have also adopted a 90% payment of the Federal Medicare Region C DEMPOS (Medicare Durable Medical Equipment Fee Schedule). This is the fee schedule that dictates what is considered to be a fair rate of pay for "supplies" and "durable medical equipment products" or DME for short. This fee schedule was recently updated with an all time low in reimbursement across the board for DME

even at the 100% rate in our state. You see, our state does not have to go by this fee schedule it is merely a guide provided by the feds but, they do have to use the codes and product classifications of the various types of equipment and supplies that are on it. As a matter of fact, they chose to pay "supplies" such as gauze, syringes, and diabetic supplies for example at 100% of the published Federal DME rate and then chose to pay DME at 90% which in my mind is discriminatory and a blatant injustice to our equipment dependent children. But I guess the Pharmacies have a better lobby and more lobby resources than we as DME suppliers do. So far, with my 20+ years of experience, I have not seen a supply that required an evaluation, or complex assembly and set up, or a fitting, or extensive training, or follow up adjustments. DME providers deserve the same rate of reimbursement as those who provide supplies to Medicaid. What does this really mean?

It means this! The Medicaid children in our state who depend on reasonable and quality medical equipment for their functional development will not be able to get most all of these items because the medical equipment suppliers will not be able to afford to supply them. We, as suppliers, will be limited to the cheapest most basic equipment that we can **still** afford to provide in order to survive to provide services in the future. Hey! This is real!

It is a complex problem but, it is a real threat to our Medicaid dependent children. Already our Medicaid is only paying 90% of a fee schedule allowable of \$1097 for a "Gait Trainer with all accessories". They are not allowing us to bill additional accessories that moderate to severely physically involved children need in order to adequately learn to walk appropriately as they grow and develop. Some of the most successfully and widely nationally used Gait Trainers such as the Rifton Pacer, Snug Seat Pony, and others can no longer be provided for our kids due to the higher cost of accessorizing these products versus the rate of the Medicaid payment. This is just one of many examples. Believe me there are more!

It is far worse than any one thinks or knows with all Medicaid reimbursement for all our kids who depend on equipment in SC.



State of South Carolina
Department of Health and Human Services

#588

Mark Sanford
Governor

Robert M. Kerr
Director

April 27, 2007

The Honorable Garry R. Smith
South Carolina House of Representatives
Blatt Office Building – Suite 312C
Columbia, South Carolina 29211

Dear Representative Smith:

Thank you for your inquiry on behalf of Mr. Jeff Brown regarding Medicaid reimbursement for Durable Medical Equipment (DME). Program staff met with Mr. Brown and several other interested parties on March 20, 2007, to discuss the reimbursement issues outlined in his March 7th correspondence.

The Medicaid program uses the Medicare fee schedule as a basis for setting Medicaid rates for many providers. We also periodically compare our fee schedules with the Medicaid fee schedules for other southeastern states as well as the South Carolina Employee Insurance Program. Medicaid will generally pay the lower of the maximum allowable Medicaid rate or the provider's charges. Currently, the Medicaid rates for equipment are set at 90% of the 2004 Medicare fee schedule.

Mr. Brown has requested that DME providers be reimbursed up to 100% of the Medicare fee schedule. The fiscal impact of moving the entire DME fee schedule up to 100% of the 2007 Medicare fee schedule is estimated to be \$3.5 million in state funds. We recently surveyed other states regarding Medicaid reimbursement for DME. The results are outlined below.

STATE	DME & SUPPLY REIMBURSEMENT FORMULA
Georgia	Lesser of the billed charges or established fee schedule which is 80-90% of the current Medicare rate.
Florida	80% of the Medicare rate – if no Medicare rate, equipment reimbursed at 80% of the manufacturers suggested retail and supplies at net cost plus 10%. Custom wheelchairs at 87% of manufacturers suggested retail.
North Carolina	Lesser of billed charges or maximum allowable rate which is 100% of the Medicare rate. If no Medicare rate exists, providers reimbursed at net cost plus 20% or 80% of manufacturer's suggested retail, whichever is less.

Medical Services

P.O. Box 8206 • Columbia, South Carolina 29202-8206
(803) 898-2501 • Fax (803) 255-8235

The Honorable Garry R. Smith

April 27, 2007

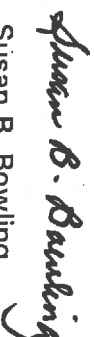
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The agency did not request additional state funds in its budget request to revise the reimbursement methodology for DME providers. However, as part of the maintenance of effort, we are planning to update the fee schedule for DME equipment and supplies effective July 1, 2007, based on the 2007 Medicare fee schedule. The projected fiscal impact of this change is \$875,000 in state funds.

Mr. Brown also expressed concern about DME providers being charged the South Carolina sales tax on prescribed supplies and equipment. As you are aware, this issue is beyond the jurisdiction of the Department of Health and Human Services.

Thank you for your support of the South Carolina Medicaid program. If you have any questions or need additional information, you may contact me directly at (803) 898-2501 or Mr. James Assey, Division Director for DME Services, at (803) 898-2875.

Sincerely,



Susan B. Bowling
Deputy Director

SBB/ga