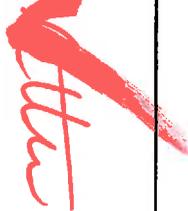


**DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR**

**ACTION REFERRAL**

|                     |                        |
|---------------------|------------------------|
| TO<br><i>Meyers</i> | DATE<br><i>9-25-08</i> |
|---------------------|------------------------|

|                                                                                                                                                                             |                                                                                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>DIRECTOR'S USE ONLY</b>                                                                                                                                                  | <b>ACTION REQUESTED</b>                                                                                                                                                            |
| 1. LOG NUMBER<br><i>000176</i>                                                                                                                                              | <input checked="" type="checkbox"/> Prepare reply for the Director's signature<br>DATE DUE <i>10-2-08</i>                                                                          |
| 2. DATE SIGNED BY DIRECTOR<br><i>cc: Ms. Farkner<br/>cleared 9/24/08, <br/>attached.</i> | <input type="checkbox"/> Prepare reply for appropriate signature<br>DATE DUE _____<br><input type="checkbox"/> FOIA<br>DATE DUE _____<br><input type="checkbox"/> Necessary Action |

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



*State of South Carolina*  
*Department of Health and Human Services*

Mark Sanford  
Governor

September 25, 2008

Emma Forkner  
Director

Paul E. Chandler, MD, FACCOG  
Advanced Women's Care  
901 East Cheves Street, Suite 200  
Florence, South Carolina 29506

Dear Dr. Chandler:

Thank you for taking the time to write me about the mid-year budget reductions. The 3% reduction mandated by the state Budget and Control Board translated to \$28.5 million in state funds for our agency alone. As you can imagine, this has been an extremely difficult albeit necessary task.

The points in your letter are well taken, and I am sympathetic to your concerns. I had the opportunity to visit with some of your colleagues recently who shared with me other challenges facing your profession, including disproportionately high liability insurance and issues of compensation related to the treatment of the state's growing Hispanic population.

Since deliveries are a large part of our Medicaid service expenditures, it would not be possible to make these necessary reductions without including them. I have attached a rate schedule to this letter that details the impact of the changes to some of the services you provide. As you can see, while delivery rates have decreased, the percentage of reimbursement is still significantly above the Medicare benchmark (see codes 59409/59514).

Our main goal in approaching these reductions was to ensure that we did not disproportionately harm any one segment of the provider community. I believe we have been successful, although I realize some may disagree. The reality is that even minor changes to reimbursements may be enough to cause some providers to reconsider their voluntary participation with the Medicaid program. It is my sincere hope that providers will resist that temptation and continue to serve the large number of South Carolina residents in need.

I am confident the General Assembly will consider these and other issues affecting providers when they begin budget deliberations. If additional funds are made available, I can assure you we will advocate for restoring rates to their former levels. Thank you again for your input and your service to Medicaid recipients.

Sincerely,

A handwritten signature in black ink that reads "Emma Forkner".

Emma Forkner  
Director

EF:jp

(Log 0174  
to close)

| Medicaid            | Labor and Delivery                                              | SC Medicaid      |                 | 2007 Medicare     |            | 2008 Medicare |            |
|---------------------|-----------------------------------------------------------------|------------------|-----------------|-------------------|------------|---------------|------------|
|                     |                                                                 | Before 10/1/2008 | After 10/1/2008 | Vaginal           | C-Sect     | Vaginal       | C-Sect     |
| 99203               | Initial OB Exam                                                 | \$73.50          | \$71.16         | 83.99%            | \$85.46    | \$84.72       | \$84.71    |
| 99213               | OB Visits Unlimited (10 visits on a normal preg.)               | \$48.12          | \$47.31         | 83.51%            | \$559.50   | \$563.20      | \$563.20   |
| 59000               | Amniocentesis                                                   | \$99.74          | \$95.54         | 84.00%            | \$115.98   | \$113.74      | \$113.74   |
| 76946               | Ultrasound Guidance of Amnio                                    | \$51.94          | \$42.36         | 86.01%            | \$60.39    | \$50.43       | \$50.43    |
| 59412               | External Version                                                | \$77.68          | \$74.36         | 84.00%            | \$90.33    | \$88.52       | \$88.52    |
| 59430               | Post Partum Visit 1 Only                                        | \$103.57         | \$99.89         | 84.00%            | \$120.43   | \$118.92      | \$118.92   |
| 76801               | Ultrasound <14 weeks                                            | \$101.83         | \$100.44        | 84.00%            | \$118.41   | \$119.57      | \$119.57   |
| 76805               | Ultrasound >14 weeks                                            | \$195.63         | \$108.20        | 84.00%            | \$122.82   | \$128.81      | \$128.81   |
| 76818               | Biophysical Profile                                             | \$91.98          | \$92.12         | 84.00%            | \$106.95   | \$109.67      | \$109.67   |
| 59025               | Fetal Non stress test (unlimited) average 3 if normal pregnancy | \$31.82          | \$32.57         | 84.18%            | \$111.00   | \$116.31      | \$116.31   |
| 59409/59514         | Vaginal Delivery/C-Section                                      | \$1,200.00       | \$1,000.00      | 152.05% / 128.60% | \$673.02   | \$795.53      | 777.63     |
| Total Per Pregnancy |                                                                 | \$2,482.53       | \$2,252.29      | 104.68% / 99.15%  | \$2,164.29 | \$2,271.51    | \$2,271.51 |

# Advanced Women's Care

Obstetrics \* Gynecology \* Infertility

B. Edward O'Dell, M.D.

C. Dale Duke, M.D.

J. Michael Davidson, M.D.

Paul E. Chandler, M.D.

Mark A. Shuck, M.D.

18 September 2008

RECEIVED

SEP 25 2008

Department of Health & Human Services  
OFFICE OF THE DIRECTOR

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

Dear Ms Forkner:

We were notified just this week of upcoming budget cuts in Medicaid reimbursements. Apparently there needs to be a reduction of 3 % in Medicaid's operating funds. I am an obstetrician gynecologist participating in both Medicaid gynecology and obstetric care.

According to the Medicaid Bulletin reimbursement for deliveries will be reduced from \$1200 to \$1000. **This is a reduction of slightly more than 16%! Medicaid office visits are also going to be reduced to 84% of 2008 rates. Again a 16% reduction!** For a 3 % reduction in the budget, this is extreme!

I am in practice with 4 other OB/GYNs. The impact to our practice over the next year will be more than \$75,000 for OB only. Need I remind you that reimbursement for most physicians is declining and has been declining over the last 10 years? Our cost of doing business is not declining and continues to increase as inflation, malpractice, health insurance, personnel, and material cost continue to rise. Salary cuts in our practice have begun as of January 2008. The physicians in our practice were the first cuts. We have had to decrease insurance benefits for both us and our employees.

These cuts will not only impact our bottom line but may impact our ability to continue to see Medicaid patients. Access to care for Medicaid patients will definitely be impacted. As you may know, physician shortages are in the very near future as more and more students are choosing other careers than medicine. This problem will only worsen with time. As preventative care declines, costs will rise.

The Pee Dee region of SC has the highest perinatal mortality rate in the state. We deal with very high risk pregnancies. Cuts in reimbursement will impact assess to care and will only increase costs to the state as more neonatal intensive care admissions occur and even ICU maternal admissions. Decreasing OB reimbursement will most likely increase cost and adversely impact quality of patient care.

Consider that physician reimbursement is small compared to hospital payments.

Please reconsider these drastic measures. And by the way thanks for less a one month warning on the cuts.

Sincerely,



Paul E. Chandler MD FACOG

901 East Chereza Street \* Suite 200 \* Florence, South Carolina 29506

Office 843-662-2299 \* Fax 843-656-2001