

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

ACTION REFERRAL

| | |
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| TO <i>Hutto/Saxon</i> | DATE <i>4/9/13</i> |
|--------------------------|-----------------------|

| DIRECTOR'S USE ONLY | ACTION REQUESTED |
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| 1. LOG NUMBER <i>000324</i> | <input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____ |
| 2. DATE SIGNED BY DIRECTOR <i>CC: Director, depts, COS</i> <i>Cleared 5/28/13, letter attached</i> | <input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <i>4/26/13</i> |
| | <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. | | | |
| 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

April 4, 2013

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

RECEIVED

APR 09 2013

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 21, 2012 submission of South Carolina's state plan rate year (SPRY) 2009 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. This acknowledgement, however, does not constitute notice of a completed review or approval of the content of the state's submission. The Centers for Medicare & Medicaid Services (CMS) received the following in your submission package:

- SPRY 2009 South Carolina Department of Health and Human Services Audit of DSH Verifications
- SPRY 2009 PHBV Partners, LLP Statement of Independence

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.medicare.gov/Medicare-CHIP-Program-Information/By-Topics/Financing-and-Reimbursement/Financing-and-Reimbursement.html>):

- General DSH Audit and Reporting Protocol
- DSH Report Format
- 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. Pursuant to this preliminary review, CMS has the following questions/concerns:

- The independent auditors found that many providers received DSH payments exceeding their hospital specific DSH payment limits and that the state has no procedures to calculate the hospital specific DSH limit.
- The independent auditors found that many providers were unable to provide documentation from their accounting records related to the hospital specific DSH limit. The audit report specifically identified 22 instances of inadequate support.
- The independent auditors found that the state has not developed a formal written audit protocol for DSH hospitals to use to determine Medicaid and uninsured uncompensated care costs.
- The independent auditors were unable to determine whether one provider who received DSH payments met the qualification requirements in §1923(d) of the Social Security Act.

Based on the above findings, please describe the corrective actions the state will take to ensure compliance with the final DSH rule.

Further, we noted in our preliminary review that the number of providers listed in the 2008 DSH audit did not agree to the number of providers in the 2009 DSH audit. Specifically we noted that:

- Charleston County was included in the 2008 and 2007 DSH audit report but not the 2009 audit report;
- Memorial Health University, an out of state DSH hospital, was included in the 2008 DSH audit report but not the 2009 DSH audit report; and
- Scotland Memorial Hospital, an out of state DSH hospital, was included in the 2008 DSH audit report but not the 2009 DSH audit report.

Mr. Anthony E. Keck

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Please explain why the providers identified above were not included in the 2009 DSH audit.

In addition, this preliminary review revealed items that need further clarification or documentation by South Carolina. The data elements required by 42 CMS 447.299(c) were not reported for all providers. For some providers, many elements contained a dash (-). Please confirm whether the dash should be interpreted as a zero dollar value, or as missing data. If the data was omitted, please explain how the state will ensure that the data will be reported in the future.

In fiscal years 2011 and 2012, CMS conducted in-depth reviews of various states and hospitals throughout 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 will be conducting a similar in-depth review for fiscal year 2013 of an additional state and hospital. 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 Anna Dubois at (850) 878-0916.

Sincerely,

Handwritten signature of Jackie Glaze in cursive script.

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

Cc:

Stanley Fields, NIRT

Dicky Sanford, NIRT

Tim Weidler, NIRT

Maria Sotirelis, NIPT

Chris Thompson, NIPT

Davida Kimble, ROIV

Michelle White, ROIV

Cheryl Wigfall, ROIV

Mary Holly, ROIV

Log #324



May 28, 2013

Ms. Jackie L. Glaze
Associate Regional Administrator
Division of Medicaid and Children's Health Operations
Centers for Medicare and Medicaid Services
61 Forsyth St., Suite 4T20
Atlanta, Georgia 30303-8909

RE: Disproportionate Share Hospital (DSH) Audits and Reports Acknowledgement

Dear Ms. Glaze:

This is in response to your request dated April 4, 2013 for corrective actions that the State Medicaid Agency will take to ensure compliance with the final DSH rule as well as specific provider questions as it relates to the submission of the Medicaid State Plan Rate Year 2009 DSH Audit.

CMS Corrective Action Item #1:

The independent auditors found that many providers received DSH payments exceeding their hospital specific DSH payment limits and that the state has no procedures to calculate the hospital specific DSH limit.

Response:

In order to comply with this requirement, the Department has amended Attachment 4.19-A of the South Carolina Medicaid State Plan to readjust DSH payments based upon the results of the Medicaid State Plan Rate Year DSH audit beginning October 1, 2010 (and later amended effective October 1, 2011) in accordance with the redistribution methodology approved by the Centers for Medicare and Medicaid Services (CMS).

CMS Corrective Action Item #2:

The independent auditors found that many providers were unable to provide documentation from their accounting records related to the hospital specific DSH limit. The audit report specifically identified 22 instances of inadequate support.

Response:

As part of the process of establishing the DSH payments for the Medicaid State Plan Rate Year beginning October 1, 2009, the Department informed DSH qualifying hospitals that the agency "reserves the right to request supporting documentation for all or part of the October 1, 2009 through September 30, 2010 DSH survey data in the event that the Clifton Gunderson (our DSH audit contractor) audit of the SC Medicaid 2005 and 2006 DSH Programs indicates that your hospital did not file all or part of the DSH data requested by Clifton Gunderson to determine your hospital's specific DSH limits for 2005 and 2006. The agency also reserves the right to review or audit all data to ensure accuracy". Therefore beginning with the October 1, 2009 DSH payment period the Department: (a) - began sampling DSH survey data for compliance with the December 19, 2008 Final rule relating to the audits of the Medicaid DSH payment plans; (b) - began sampling and reviewing DSH data for those hospitals that did not supply all

Ms. Jackie L. Glaze
May 28, 2013
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documentation related to the hospital specific DSH limit calculations for 2005 and 2006; and (c) sampled and reviewed providers for compliance with the agency's definition of uninsured prior to October 1, 2010. And finally, please refer to our response to CMS Corrective Action Item #1.

CMS Corrective Action Item #3:

The independent auditors found that the state has not developed a formal written audit protocol for DSH hospitals to use to determine Medicaid and uninsured uncompensated care costs.

Response:

While the Department has provided DSH hospitals with DSH surveys, instructions, definitions, and hospital specific detailed worksheet calculations, the Department has not combined this data within one formal written audit protocol. The Department will develop the requested audit protocol prior to the collection of the DSH survey information for the Medicaid State Plan Rate Year beginning October 1, 2013.

CMS Corrective Action Item #4:

The independent auditors were unable to determine whether one provider who received DSH payments met the qualification requirements in section 1923(d) of the Social Security Act.

Response:

In order to address this audit concern the Department, beginning with the October 1, 2009 Medicaid State Plan Rate Year payment year and DSH Surveys, began requiring DSH qualifying hospitals to provide at least two obstetricians (physicians for rural hospitals) names, UPIN number, and NPI number to ensure compliance with the federal DSH OB requirement. This practice continues today. The hospital in question (Bamberg County Memorial Hospital) has ceased operations effective April 30, 2012.

In regards to the questions relating to the listing of hospitals receiving DSH payments in 2009 versus those hospitals receiving DSH payments in 2008, the Department is providing the following information:

- Charleston County Memorial Hospital – Ceased operations November 25, 2008.
- Memorial Health University – Out of state DSH hospital that did not qualify for the SC Medicaid DSH Program effective October 1, 2008.
- Scotland Memorial Hospital – Out of state DSH hospital that did not qualify for the SC Medicaid DSH Program effective October 1, 2008.

If additional information is needed or if you have any questions, please contact Jeff Saxon at (803) 898-1023.

Sincerely,



Anthony E. Keck
Director

STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DISPROPORTIONATE SHARE HOSPITAL DATA REPORTING FORM

| Hospital Name | 10 Total Medicaid Uncompensated Care | 11 Uninsured IP/OP Revenue | 12 Total Applicable Section 1011 Payments | 13 Total cost of IP/OP Care for the Uninsured | 14 Total Uninsured IP/OP Uncompensated Care Cost | 15 Total Annual Uncompensated Care Costs | 16 Disproportionate Share Hospital Payments |
|--|---|-------------------------------|--|--|---|---|--|
| Occuree Memorial Hospital | \$ 2,246,730 | \$ 889,822 | \$ - | \$ 8,264,769 | \$ 7,374,947 | \$ 8,621,677 | \$ 5,170,709 |
| Palmetto Health Baptist | \$ 697,852 | \$ 984,185 | \$ - | \$ 15,835,325 | \$ 14,871,140 | \$ 15,568,992 | \$ 10,904,214 |
| Palmetto Health Baptist - Easley | \$ (246,033) | \$ 712,265 | \$ - | \$ 5,386,492 | \$ 4,674,227 | \$ 4,428,194 | \$ 3,638,984 |
| Palmetto Health Richland | \$ (18,684,092) | \$ 1,973,803 | \$ - | \$ 42,330,941 | \$ 40,357,138 | \$ 23,693,046 | \$ 35,193,365 |
| Palmetto Memorial Hospital | \$ (424,131) | \$ 61,303 | \$ - | \$ 2,233,485 | \$ 2,172,182 | \$ 1,748,051 | \$ 4,157,174 |
| Piedmont Medical Center | \$ 3,274,938 | \$ 1,152,331 | \$ 86,205 | \$ 15,924,632 | \$ 14,685,998 | \$ 17,980,934 | \$ 12,744,923 |
| Roper Hospital | \$ 3,772,111 | \$ 1,556,704 | \$ - | \$ 14,985,615 | \$ 13,429,911 | \$ 17,202,022 | \$ 11,280,388 |
| Self Regional Healthcare | \$ 11,472,612 | \$ 2,801,842 | \$ - | \$ 19,118,432 | \$ 16,516,580 | \$ 27,988,202 | \$ 9,345,808 |
| Sisters of Charity (Providence Hospital) | \$ (4,059,017) | \$ 667,607 | \$ - | \$ 12,085,509 | \$ 11,417,902 | \$ 7,358,865 | \$ 9,605,322 |
| Spartanburg Regional Medical Center | \$ 1,181,802 | \$ 3,125,298 | \$ - | \$ 30,100,616 | \$ 26,975,328 | \$ 28,156,930 | \$ 21,823,011 |
| Springs Memorial | \$ (1,909,899) | \$ 585,860 | \$ 26,973 | \$ 4,587,527 | \$ 3,994,694 | \$ 2,084,796 | \$ 3,185,623 |
| St Francis Health System | \$ 6,452,182 | \$ 1,561,234 | \$ - | \$ 19,573,247 | \$ 18,012,013 | \$ 24,464,195 | \$ 9,293,543 |
| St Francis Xavier Hospital | \$ 473,798 | \$ 1,146,803 | \$ - | \$ 8,235,670 | \$ 7,088,067 | \$ 7,562,865 | \$ 6,084,899 |
| The Regional Medical Center | \$ (1,725,545) | \$ 1,191,944 | \$ - | \$ 10,556,026 | \$ 9,366,082 | \$ 7,640,537 | \$ 7,559,171 |
| Trident Regional Medical Center | \$ 4,787,564 | \$ 2,135,801 | \$ - | \$ 20,751,445 | \$ 18,615,644 | \$ 23,403,208 | \$ 9,380,644 |
| Tuomey Healthcare | \$ 6,137,041 | \$ 442,658 | \$ - | \$ 10,016,998 | \$ 9,574,340 | \$ 15,711,381 | \$ 9,010,208 |
| Upstate Carolina Medical Center | \$ (760,181) | \$ 75,259 | \$ - | \$ 3,868,107 | \$ 3,792,848 | \$ 3,032,867 | \$ 2,657,611 |
| Waccamaw Community Hospital | \$ 1,619,814 | \$ 505,367 | \$ 1,205 | \$ 6,727,490 | \$ 6,220,918 | \$ 7,840,732 | \$ 4,170,602 |
| Wallace Thomson Hospital | \$ 1,523,075 | \$ 611,125 | \$ - | \$ 2,111,601 | \$ 1,500,476 | \$ 3,023,551 | \$ 1,707,312 |
| Williamsbury Regional Hospital | \$ 69,074 | \$ 404,374 | \$ - | \$ 1,084,296 | \$ 679,922 | \$ 748,996 | \$ 773,495 |
| Institutes for Mental Disease | | | | | | | |
| Bryan Psychiatric Hospital | \$ 1,588,588 | \$ 140,121 | \$ - | \$ 20,408,695 | \$ 20,288,515 | \$ 21,857,109 | \$ 20,730,880 |
| Pattick B Harris Psych Hospital | \$ 1,120,074 | \$ 120,648 | \$ - | \$ 9,536,236 | \$ 9,415,588 | \$ 10,535,662 | \$ 13,571,825 |
| William S Hall Psych Institute | \$ 12,523 | \$ 8,282 | \$ - | \$ 12,614,780 | \$ 12,605,508 | \$ 12,618,031 | \$ 18,459,090 |
| Out-of-State DSH Hospitals | | | | | | | |
| Carlinus Medical Center | | | | | | | 2,157,438 |
| Medical College of Georgia | | | | | | | 2,335,258 |