

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

ACTION REFERRAL

| | |
|--------------------|------------------------|
| TO <i>Myles</i> | DATE <i>8/29/08</i> |
|--------------------|------------------------|

| | |
|---|---|
| DIRECTOR'S USE ONLY | ACTION REQUESTED |
| 1. LOC NUMBER <i>000121</i> | <input type="checkbox"/> I Prepare reply for the Director's signature DATE DUE _____ |
| 2. DATE SIGNED BY DIRECTOR <i>08/29/08</i> | <input checked="" type="checkbox"/> I Prepare reply for appropriate signature DATE DUE <i>9/9/2008</i> |
| <i>a: Deps, Stakur Cleared 9/8/08 attached.</i> | <input type="checkbox"/> I FOIA DATE DUE _____ |
| | <input type="checkbox"/> I 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. | | | |



PALMETTO
PEE DEE BEHAVIORAL HEALTH

August 28, 2008

RECEIVED
AUG 29 2008

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

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Re: Proposed re-basing of per diem rates for Palmetto Pee Dee Behavioral Health RTF

Dear Ms. Forkner:

We are writing in regards to the proposed re-basing of our current rate at Palmetto Pee Dee. Our current rate is \$276.46 per day, which has been our rate for almost 8 years. The proposed new rate, based on the analysis of our 2007 cost report is \$252.88 which is a \$23.58 per day rate decrease. This proposed rate decrease would have a devastating impact on our ability to continue to provide services to children and adolescents receiving SC Medicaid.

Palmetto Pee Dee operates at near full capacity at all times and has for the past 4 years. This high volume is attributed to Palmetto Pee Dee's willingness to serve youth who exhibit the most challenging behaviors – behaviors that many other facilities within the state are unwilling or unable to serve. Many of these youth, in addition to severe psychiatric impairments, have significant medical issues, physical handicaps and some are non-ambulatory. While these distinctions enable Palmetto Pee Dee to maintain a healthy census, they also create additional and unique cost burdens that are necessary to effectively meet the needs of these youth. Palmetto Pee Dee also serves severely aggressive, subclass and violent youth as well as youth with serious self-harm behaviors, sexually reactive behaviors, dually diagnosed youth with offender tendencies, and youth diagnosed with Autism Spectrum Disorders, mild to moderate MR, Pervasive Developmental Disorders, and brain injured patients. Many of our patients are not able to provide for their basic self-care.

Attending to their physical and social limitations, as well as the severity of their behaviors frequently necessitates additional staffing and specialized training for staff beyond what is required in the standards. The treatment of these patients requires additional costs for heightened safety and security measures, frequent replacement of furniture, carpeting/flooring, and repairs to the environment of care. Many of these additional costs are capital expenditures and are not necessarily reflected in the cost reports.

601 B Gregg Avenue
Florence, SC 29501
phone 843.667.0644
fax 843.669.2589
A subsidiary of Psychiatric Solutions, Inc.

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Page Two

Due to the fact that Palmetto Pee Dee operates at full capacity, many of our expenses appear lower on the cost report due to economy of scale that occurs with a full census. Just over the last six month period, many of our costs have significantly escalated due to the increase in fuel, such as food costs, fuel for vehicles, and most supplies. Our physician and nursing costs are going to increase to meet the additional requirements that went into effect on July 1, 2008 when the new RTF Medicaid manual was released. We anticipate that our physician costs alone will likely increase 100K annually.

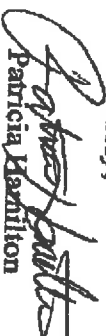
We are respectfully requesting that the proposed rate decrease for Palmetto Pee Dee be put in abeyance until more information is obtained regarding the cost report methodology. In the past, several RTF's were given rates based on the statewide average, which until now has been \$281.65. Why is this no longer an option for setting rates for all RTF's since it has been utilized in the past for establishing rates? If that is no longer an option, can some consideration for a specialized rate for serving the higher end youth be given?

Palmetto Pee Dee hopes to be able to continue to serve youth from within our own state. However, if this rate decrease goes into effect, our options will be to decrease serving the SC Medicaid patients and increase the number of admissions of out of state patients which until now has been a secondary consideration to accommodate SC patients, whom we felt should be given priority. The sad reality is that Palmetto Pee Dee will not be able to continue to operate with a loss of almost \$500,000.00 annually.

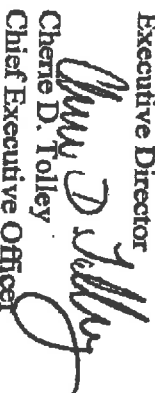
Any consideration for freezing our existing rate or in considering some type of specialized rate would be greatly appreciated. Palmetto Pee Dee prides itself in its ability to serve difficult youth and keep them close to their home communities and would certainly prefer to be able to continue to do so.

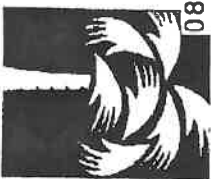
Thank you.

Sincerely,



Patricia Hamilton
Executive Director


Cherie D. Tolley
Chief Executive Officer



PALMETTO

LOWCOUNTRY BEHAVIORAL HEALTH

2777 Speiseegger Drive
Charleston, SC 29405
PH: 843-747-5830
FX: 843-748-5115

CONFIDENTIAL INFORMATION FAX COVER SHEET

| | | | |
|----------|------------------------------------|-------------------------------------|--------------------|
| DATE: | August 29, 2008 | TOTAL NO. OF PAGES INCLUDING COVER: | 3 |
| TO | Emma Forkner, Director | FROM: | Cherie Tolley, CEO |
| COMPANY: | Palmetto Pee Dee Behavioral Health | DEPARTMENT: | |
| RE: | 803-266-8235 | | |
| | letter | | |

URGENT X FOR REVIEW ☐ PLEASE COMMENT ☐ PLEASE REPLY ☐ PLEASE DISTRIBUTE

NOTES/COMMENTS:

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If you have any problems receiving this transmittal, or if you received this transmittal in error, please respond by calling the department specified above, at (843)747-5830. Thank you!



State of South Carolina
Department of Health and Human Services

Mark Sanford
Governor

September 8, 2008

Emma Forkner
Director

Patricia Hamilton
Cherie D. Tolley
Palmetto Pee Dee Behavioral Health
601 B Gregg Avenue
Florence, South Carolina 29501

Dear Ms. Hamilton and Ms. Tolley:

I have discussed the concerns raised in your letter of August 28, 2008 with both program and reimbursement staff. I understand that my agency has received several requests for updated rates for Psychiatric Residential Treatment Facilities (PRTFs). In light of the fact that these rates had not been updated since 2000 and in response to these requests, my reimbursement staff utilized the FY 2007 cost reports provided by each facility to develop the proposed new rates. Overall, this methodology resulted in an increased statewide average for PRTFs. It was not anticipated that this methodology would result in any significant decreases for providers. I understand that reimbursement staff have offered providers the opportunity to submit additional information related to allowable costs to adjust these proposed rates.

This being said, I also understand from my program staff that Palmetto Pee Dee is an excellent facility that is essential to the continuum of services needed by emotionally disturbed children in South Carolina. Staff have spoken very highly of the services offered to individual with dual diagnoses and Pervasive Developmental Disorders offered through Palmetto Pee Dee. In order to ensure access to the high quality services you offer, we are reevaluating the methodology used to establish the proposed rates and are actively involved in developing revised proposed rates. My reimbursement staff will be in contact with you in the near future regarding these revised rates. Please keep in mind that any changes in PRTF payment rates and payment methodology are subject to approval by the Centers for Medicare and Medicaid Services.

Thank you very much for serving the children of South Carolina. If you have further questions regarding this matter, please contact Jeff Saxon at (803) 898-1040.

Sincerely,

Emma Forkner
Emma Forkner
Director

EF:jip

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(to close)