

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

**ACTION REFERRAL**

TO <i>Thorn</i>	DATE <i>8-18-10</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <b>1001341</b>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>Copy: Fickner Cleared 3/10/10, letter attached.</i>	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <u><i>8-26-10</i></u>
	<input type="checkbox"/> FOIA DATE DUE _____
	<input type="checkbox"/> Necessary Action

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



**RECEIVED**

February 16, 2010

FEB 18 2010

Department of Health & Human Services  
OFFICE OF THE DIRECTOR

Emma Forkner  
Director  
South Carolina Department of Health and Human Services  
1835 Assembly St.  
Columbia, SC 29201-2430

Dear Ms. Forkner,

The purpose of this letter is to request your assistance on obtaining authorization and payment for the products and services we have been providing your patients.

As a brief introduction, Kinetic Concepts, Inc. (KCI) has been working with South Carolina to provide the patients under your program with V.A.C.® Therapy, our proprietary wound healing system. V.A.C.® Therapy is an integrated wound management system for use in acute and post acute care settings. There have been 22 randomized controlled trials using V.A.C.® Therapy since 2000, and the results demonstrate the ability of V.A.C.® Therapy to promote wound healing while reducing total treatment costs.

As a company, KCI prides itself in providing the best products, services, and support in advanced wound healing for the State of South Carolina. Over the last year, we have provided more than 400 Medicaid patients with V.A.C.® Therapy in your State. As of today, we currently have 60 Medicaid South Carolina patients on V.A.C.® Therapy. KCI's concern is that since March of 2009 we have been trying to resolve an excessively large number of claims that have not been addressed by your team. When we presented the issue to Mr. James Assey (Director, DME) in late April 2009, we were assured that these claims would be addressed. Since this was brought to Mr. Assey's attention, we have provided the data electronically (via an EDI portal called ProviderLink) and through Microsoft Excel. Unfortunately, we still have not had a satisfactory resolution.

KCI certainly understands the resource pressures your State is currently experiencing. We work with almost every other State for their Medicaid programs and everyone is feeling the same pressures. However, KCI has the same EDI portal program operating in the State of North Carolina and the program is running very smoothly.

Unfortunately, as a company, KCI cannot continue to provide our services if we cannot get the State to release these authorizations immediately so that proper billing and payment can be resolved. These pending authorizations go back to 2008, and the potential financial

Mailing:

P.O. Box 659508  
San Antonio, Texas 78265-9508  
1-800-275-4524 / FAX (210) 255-6995

Corporate:

8023 Vantage Drive  
San Antonio, Texas 78230-4726  
(210) 524-9000

Manufacturing:

4958 Stout Drive  
San Antonio, Texas 78219-4334  
(210) 225-5500



exposure and burden of carrying this mounting debt is too great for us to continue doing business in this manner. Therefore, KCI is asking for your support and assistance to help work through this large number of claims to its satisfactory conclusion.

I would ask that either you or a representative contact me directly to address how we can work through this matter. I have advised my team that as of March 1, 2010, if KCI has not received satisfactory resolution, we will be forced to notify the South Carolina medical community of this situation and inform them that we may have to discontinue providing services to your State Medicaid recipients.

Thank you for your prompt attention to this matter. Please feel free to contact myself at 210-255-6515 or KCI's Director of Medicaid, Ed Staten, at 210-255-6117.

Sincerely,

A handwritten signature in cursive script that reads "Cameron McKennitt".

Cameron McKennitt  
Vice President, Commercial Operations

CC: Ed Staten

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February 16, 2010

**RECEIVED**

FEB 22 2010

Department of Health & Human Services  
OFFICE OF THE DIRECTOR

Emma Forkner  
Director  
South Carolina Department of Health and Human Services  
Post Office Box 8206  
Columbia, SC 29202-8206

Dear Ms. Forkner,

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As a brief introduction, Kinetic Concepts, Inc. (KCI) has been working with South Carolina to provide the patients under your program with V.A.C.® Therapy, our proprietary wound healing system. V.A.C.® Therapy is an integrated wound management system for use in acute and post acute care settings. There have been 22 randomized controlled trials using V.A.C.® Therapy since 2000, and the results demonstrate the ability of V.A.C.® Therapy to promote wound healing while reducing total treatment costs.

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P.O. Box 659508  
San Antonio, Texas 78265-9508  
1-800-531-5396 / Fax (210) 255-6998

Corporate:

8023 Vantage Drive  
San Antonio, Texas 78230-4726  
(210) 524-9000

Manufacturing:

4958 Stout Drive  
San Antonio, Texas 78213-4334  
(210) 662-9197



exposure and burden of carrying this mounting debt is too great for us to continue doing business in this manner. Therefore, KCI is asking for your support and assistance to help work through this large number of claims to its satisfactory conclusion.

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Thank you for your prompt attention to this matter. Please feel free to contact myself at 210-255-6515 or KCI's Director of Medicaid, Ed Staten, at 210-255-6117.

Sincerely,

A handwritten signature in blue ink, which appears to read 'Cameron McKennitt', is written over the typed name.

Cameron McKennitt  
Vice President, Commercial Operations

CC: Ed Staten

Mailing:

P.O. Box 659508  
San Antonio, Texas 78265-9508  
1-800-531-5396 / Fax (210) 255-6998

Corporate:

8023 Vantage Drive  
San Antonio, Texas 78230-4726  
(210) 524-9000

Manufacturing:

4958 Stout Drive  
San Antonio, Texas 78219-4334  
(210) 682-9191



South Carolina Department of  
**Health & Human Services**

Emma Foraker • Director  
Mark Sanford • Governor

Log # 344 ✓

March 10, 2010

Mr. Cameron McKennitt  
Vice President, Commercial Operations  
Post Office Box 659508  
San Antonio, Texas 78265-9508

Dear Mr. McKennitt:

Thank you for your recent letter concerning obtaining prior authorization and payment for products and services provided on behalf of South Carolina Medicaid beneficiaries. We appreciate this opportunity to be of assistance. On February 23, 2010 a conference call was conducted by staff from the South Carolina Department of Health and Human Services (SCDHHS) and Kinetic Concepts, Inc. (KCI) to further discuss the issues and concerns. From that call, three primary issues were identified.

First, KCI indicated that they have an outstanding accounts receivables balance in excess of \$534,000.00. SCDHHS staff reviewed our claims history for the past three months and discovered that we do not see a history of claims volume being received by SCDHHS that would account for this balance. It was agreed that KCI would research their claims submission with their clearinghouse and make any necessary adjustments to ensure timely claim submissions to SCDHHS.

The second issue relates to a spreadsheet that was submitted to us by KCI that represented outstanding prior authorizations issues that needed to be resolved. Both KCI and SCDHHS reviewed the spreadsheet and identified the information our respective systems indicated as to the current status of these authorization. KCI was instructed to immediately process claims on the spreadsheet where an authorization has been issued. For those instances that SCDHHS shows that we did not receive a request and KCI shows a request was submitted, a copy of the original request should be faxed to the central Durable Medical Equipment (DME) fax number (803-255-8218) within the next thirty (30) days. SCDHHS has agreed to waive the timely filing requirements for any claim on the spreadsheet with a date of service that has exceeded our limit for sixty (60) days, thus allowing KCI sufficient time to submit these claims for payment. This is a one time exception and applies to the claims on the KCI spreadsheet only. All other issues are to be reviewed and necessary steps taken to resolve the issues within the DME policy guidelines. It was also agreed that all questions relating to the spreadsheet will be resolved within the next sixty (60) days.

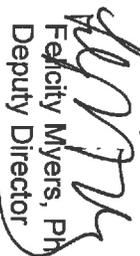
The final issue which relates to the use of the Provider Link Portal was resolved by instructing KCI to immediately discontinue the use of the prior authorization (PA) portal. All requests for PA are to be sent to the DME fax number.

Mr. Cameron McKennitt

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It is my understanding that the outlined solutions were agreed upon by both SCDHHS and KCI. We now have a process in place which will address all of the concerns brought to our attention. Thank you for taking the time to speak with our staff. We do appreciate your continued support of the South Carolina Medicaid program. If you have any additional questions, please contact Mr. William Feagin, Team Leader in Physician Services, at (803) 898-2660.

Sincerely,



Felicity Myers, PhD  
Deputy Director

FM/gws