

October 22, 2014

Beverly A. H. Buscemi, Ph.D., State Director  
SC Department of Disabilities and Special Needs  
3440 Harden Street Ext.  
PO Box 4706  
Columbia, SC 29240

Dear Dr. Buscemi:

I am writing to confirm our mutual intention to enter into an administrative contract between our two agencies effective October 1, 2014 designed to ensure that important Medicaid functions performed by the South Carolina Department of Disabilities and Special Needs (DDSN) are appropriately overseen and reimbursed by the South Carolina Department of Health & Human Services (SCDHHS) as the state of South Carolina's Single State Medicaid Agency.

In addition to more clearly delineating the contracted functions, expected outcomes and monitoring requirements, the contract will ensure that the appropriate matching rates are applied to all administrative functions. Previous reports by the Centers for Medicare and Medicaid Services (CMS) and the United States Department of Health and Human Services Office of the Inspector General (OIG) found that the appropriate match rates were not consistently applied in the past, which has led to recoupments by the federal government. This contract will provide our assurance to CMS that these audit findings have been corrected and allowable administrative costs are reimbursed appropriately.

It is important to reinforce that all reimbursements for any Medicaid services reimbursed under the State Plan or waiver programs and paid at the service matching rates must be for allowable service delivery costs. Medicaid administrative costs must be paid separately pursuant to our contract. Any payments or portions of payments withheld from a provider are not eligible for Federal Financial Participation (FFP) unless and until they are paid to the provider. To ensure that this is the case while the Organized Health Care Delivery System (OHCD) or "Band" model is being revised by SCDHHS, the Department requires the following:

1. Effective October 1, 2014, for Targeted Case Management services and community ICF/IIDs paid through DDSN, the approved rate included in the Medicaid State Plan or DHHS contract must be passed directly through to the DSN boards and private providers.
2. It will be the responsibility of DDSN to enter into contractual agreements with participating providers that choose to purchase administrative and other support services from DDSN. DDSN may not withhold payments for these services from any Medicaid payment.

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3. For all remaining services under the "Band" system, all non-administrative contract reimbursements paid by DHHS to DDSN must be in aggregate passed through to the direct provider of service until such time that the new "non-band" service specific rates have been finalized and approved by CMS. No such funds may be withheld or clawed back from providers.
4. The target date for implementation of new rates and elimination of the "Band" system is July 1, 2016. Until then, I refer you to our letter dated August 14, 2013 that requires that any changes to payments or conditions of payment between DDSN and providers for Medicaid reimbursable services be approved in advance by DHHS.

Administrative activities that DDSN undertakes for the OHCDs or otherwise must be reimbursed according to the new contract. To ensure the integrity of the program, DHHS plans to audit DDSN cost reports beginning FFY15 and perform additional random audits of reimbursements to DSN boards and other providers to assure the conditions above are being met. The audit will include a review of the service-reimbursable items purchased by direct providers from DDSN to ensure that they are appropriately claimed under the service rate. Also, as we discussed, any necessary Medicaid recoupments related to rates will be collected from the direct provider of service, including DDSN, DSN boards or other providers, to DHHS as necessary.

We appreciate the time and effort that you and your staff have invested with us to ensure our programs are in compliance with CMS requirements. Together we have made unprecedented strides in reaching more individuals with disabilities and we should all be very proud.

Best Regards,



Anthony E. Keck  
Director

c: Jimmy Burton, Chair-SC Human Service Provider Association  
Ralph Courtney, SC Disabilities Service Provider Coalition  
Christine Sharp, Chair-DDSN Commission  
Angie Willis, Office of SC Senate  
Ryan Burnaugh, Office of SC House of Representatives  
Martha Casto, Office of The Honorable Senator Harvey S. Peeler, Jr.  
Jackie Glaze, CMS Region IV Associate Regional Administrator