DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

TO	DATE
Giese	8-31-11

DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER 10-104	[ ] Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR _____ cc: Mr. Keck Close per Jan on 5/22/15; see attached notes	[X] Prepare reply for appropriate signature DATE DUE 9-13-11 [ ] FOIA DATE DUE _____ [ ] 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.			

HCA

South Atlantic Division
900 Island Park Drive, Suite 202A
Daniel Island, SC 29492

Phone 843 847-4010
Fax 843 216-5984

Hospital Corporation of America
August 29, 2011

Anthony Keck, Director
SC Department of Health & Human Services
PO Box 8206
Columbia, South Carolina 29202-8206

Dear Tony,

As we continue to work through the challenges with the state's budget, we appreciate your ongoing open and candid discussions with HCA and the hospital community to better understand the pressures placed on the providers who care for the most at risk citizens. As you can appreciate, we are willing to work with the state to proactively address these challenges, but the Department's proposal not to distribute South Carolina's full disproportionate share allotment causes serious concerns for a number of reasons. In addition to taking significant reductions in reimbursement, hospitals are cooperating with you to drive unnecessary cost from the system. However, this proposal lacks any basis toward our proactive, measured and objective effort to address the state's obligation of affording the cost of providing care to the state's vulnerable populations. We would like to share some of our specific concerns in the hope that you may reconsider this approach.

- Using only Medicaid utilization as the determining factor disproportionately concentrates the burden of the loss to a small group of providers. By over-emphasizing Medicaid utilization, the methodology being applied discounts other relevant factors such as uninsured utilization. For example, some of the facilities absorbing this reduction may have higher uninsured utilization compared to facilities that are targeted for reduction.

- The tax burden on a select number of facilities will effectively increase. We recognize there is no hold harmless provision between the existing hospital tax and reimbursement. However, if a provider is taxed to expand Medicaid and cover the uninsured and the revenue stream for the uninsured is significantly decreased then, to the provider, the effective tax rate has been increased without the approval of the legislature or administration.

- Hospitals are carrying a disproportionate share of the overall reductions. As of today, hospitals are reimbursed 93% of Medicaid costs and slightly above 60% of uninsured costs. Collectively, with this latest proposal, we believe that will drive overall reimbursement to less than 80% of reported costs. When considering the amount of tax that hospitals contribute, the effective rate of return potentially drops closer to 60% of costs. Hospitals are one of the few provider groups limited to cost reimbursement and the only provider groups that pay a separate tax to support Medicaid and the uninsured.

  Additionally, hospitals cannot refuse to provide emergency services and stabilizing treatment for patients regardless of the individual's ability to pay.

- There are more effective ways to save money in the Medicaid program. The existing cost based reimbursement system to hospitals does not promote efficiency. Because the current system does not use a uniform cost rate, it essentially results in a separate rate for each facility. This has the effect of rewarding those facilities with higher costs and punishing those who seek to reduce costs. We would prefer a prospective payment system with a uniform rate structure that encourages innovation to control cost. We believe this action alone would generate significant savings and is a better solution than reducing the disproportionate share allotment. Further, we believe that a conversion of the disproportionate share allotment to expansion of a Medicaid prospective payment system to the uninsured is a more efficient use of those funds.

- Many hospitals are willing to treat Medicaid beneficiaries but often have no control over the Medicaid day utilization percentage. There are state mandates that actually may contribute to a lower Medicaid utilization percentage for some facilities. For example, DHEC regulations preclude Trident from seeking designation as an Enhanced Perinatal Center because it is within 60 miles of a Regional Perinatal Center. This causes Trident to send babies to a Regional Center even though we are qualified to care for them.

- Using hospital tax funds to back fill Medicaid or create reserves does not meet the spirit of their intended use. The hospital tax was established for Medicaid expansion and the uninsured. The General Assembly set a standard that these funds are to be expressly supplemental, may not be used to replace general or other funds to support Medicaid, and are exempt from any budgetary cuts, reductions, or eliminations caused by the lack of general fund revenues. Rather than using hospital taxes to offset reductions, we would suggest that you access the excess cigarette tax funds made available to you this state fiscal year.

We appreciate the continued willingness of the Department to work with providers toward achieving the state's commitment to provide care to the most vulnerable populations. That said, we understand that health care is one of the most complex and costly services that states must afford. While we strive to create efficiencies, increase quality, and provide the best care to our patients; we believe that, as with any service, the state's goal is to provide reimbursement to providers as they do for any other services. We want to continue to work with the state's leaders to meet fiduciary responsibility and insure the stability of the health care system. We look forward to hearing from you on this matter.

Sincerely,

Jamie Thomas
President, HCA South Atlantic Division

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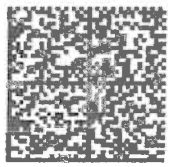
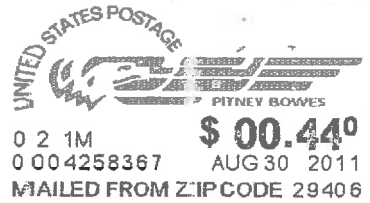
900 Island Park Drive, Suite 202A
Charleston, SC 29492

Hospital Corporation of America
Jamie Thomas, President





Anthony Keck, Director
SC Department of Health & Human Services
PO Box 8206
Columbia, South Carolina 29202-8206

29202+8206

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

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TO	DATE
Giese/Vaughn	8-31-11

DIRECTOR'S USE ONLY	ACTION REQUESTED
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August 29, 2011

Roy & Jeff - Let's discuss. Thx

Anthony Keck, Director
SC Department of Health
PO Box 8206
Columbia, South Carolin

Roy / Jeff to discuss during Thurs - (9/8) 1on1 time.

RECEIVED
AUG 31 2011
Department of Health & Human Services
OFFICE OF THE DIRECTOR

Dear Tony,

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Response?

Response yes —

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Sincerely,

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Hospital Corporation of America

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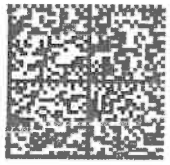

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