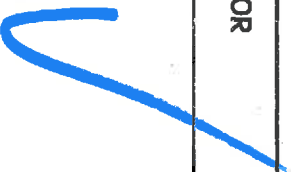


DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR

ACTION REFERRAL

TO <b>Mells</b>	DATE <b>3-12-07</b>
--------------------	------------------------

DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <b>000585</b>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <b>cc: Bowling</b> 	<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____
	<input type="checkbox"/> FOIA DATE DUE _____
	<input checked="" 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  
61 Forsyth St., Suite 4120  
Atlanta, Georgia 30303-8909



March 1, 2007

Mr. Robert M. Kerr, Director  
Department of Health and Human Services  
Post Office Box 8206  
Columbia, South Carolina 29202-8206

*Los- Wells  
"We Act!"  
Re: Bowling*

**RECEIVED**

MAR 09 2007

Department of Health & Human Services  
OFFICE OF THE DIRECTOR

Re: South Carolina Title XIX State Plan Amendment, Transmittal #06-020

Dear Mr. Kerr:

We have reviewed South Carolina's State Plan Amendment (SPA) 06-020, which was submitted to the Atlanta Regional Office on December 20, 2006. This State Plan Amendment updates the base year used to calculate the interim Medicaid outpatient hospital cost settlement for qualifying hospitals under 4.19-B. Based on the information provided, we are pleased to inform you that South Carolina SPA 06-020 was approved on February 28, 2007. The effective date is October 1, 2006.

Copies of the signed Form-179 and the approved plan pages are enclosed. If you have any questions regarding this amendment, please contact Elaine Elmore at (404) 562-7408.

Sincerely,

Renard L. Murray, D.M.  
Associate Regional Administrator  
Division of Medicaid & Children's Health

Enclosure

TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL1. TRANSMITTAL NUMBER:  
SC 06-0202. STATE  
South Carolina

## FOR: HEALTH CARE FINANCING ADMINISTRATION

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE  
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR

HEALTH CARE FINANCING ADMINISTRATION

DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

October 1, 2006

5. TYPE OF PLAN MATERIAL (*Check One*):☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENTCOMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (*Separate Transmittal for each amendment*)

6. FEDERAL STATUTE/REGULATION CITATION:

7. FEDERAL BUDGET IMPACT: 69.54%

42 CFR, Subpart C

a. FFY 2007 \$ 2,712 (\$3.9 million x 69.54%)

b. FFY 2008 \$ will rebate

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION

Attachment 4.19-B, Pages 1 and 1a

OR ATTACHMENT (*if Applicable*):

Attachment 4.19-B, Pages 1 and 1a

10. SUBJECT OF AMENDMENT:

Update the base year used to calculate the interim Medicaid outpatient hospital cost settlements for qualifying hospitals.

11. GOVERNOR'S REVIEW (*Check One*):☐ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL☒ OTHER, AS SPECIFIED:Mr. Kerr was designated by the Governor  
to review and approve all State Plans.

12. SIGNATURE OF STATE AGENCY OFFICIAL:

16. RETURN TO:

13. TYPED NAME:  
Robert M. KerrSouth Carolina Department of Health and Human Services  
Post Office Box 8206  
Columbia, SC 29202-820614. TITLE:  
Director

15. DATE SUBMITTED:

December 20, 2006

## FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

December 20, 2006

18. DATE APPROVED:

February 28, 2007

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
October 1, 2006

PLAN APPROVED - ONE COPY ATTACHED

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

Renard L. Murray, D.M.

22. TITLE: Associate Regional Administrator  
Division of Medicaid & Children's Health

23. REMARKS:

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
STATE OF SOUTH CAROLINA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - OTHER TYPES OF CARE  
(Reference Attachment 3.1-1-A)

2.a. OUTPATIENT HOSPITAL SERVICES

I. General Provisions

A. Purpose and Upper Payment Limit (UPL)

This plan establishes the methods and standards for reimbursement of outpatient hospital services. The plan sets a prospective rate of payment which will not exceed the upper limit of payment for comparable services furnished under comparable circumstances under Medicare as required by 42 CFR 447.321.

1. Effective for services provided on or after October 1, 2006, the following types of hospitals will receive retrospective Medicaid outpatient cost settlements:

- All SC general acute care hospitals contracting with the SC Medicaid Program that qualify for the SC Medicaid DSH Program will receive retrospective cost settlements that, when added to fee for service and non fee for service (i.e. adjustment) payments, will represent one hundred percent (100%) of each hospital's allowable SC Medicaid outpatient costs.
- All general acute care border hospitals (in North Carolina and Georgia) and SC non-general acute care hospitals contracting with the SC Medicaid Program that qualify for the SC Medicaid DSH Program will receive retrospective cost settlements that will represent sixty percent (60%) of each hospital's unreimbursed allowable SC Medicaid outpatient costs.
- All FY 2006 DSH qualifying out of state general acute care border hospitals (in North Carolina and Georgia) contracting with the SC Medicaid Program that no longer qualify for the FY 2007 SC Medicaid DSH Program will receive retrospective cost settlements that will represent sixty percent (60%) of each hospital's unreimbursed allowable SC Medicaid outpatient costs.

Effective for services provided on or after July 1, 2004, qualifying hospitals that employ a burn intensive care unit will receive an annual retrospective cost settlement for outpatient services provided to SC Medicaid patients. The qualification criteria allowing hospitals to receive this cost settlement is listed in Section II 4 of ATTACHMENT 4.19-A. In calculating these cost settlements, allowable cost and payments will be calculated in accordance with the 100% UPL methodology defined below for South Carolina General acute care hospitals.

- a. Pending receipt of the cost report for the cost settlement period the base year cost report used for DSH payment purposes will be used to calculate an interim cost settlement. For FY 2007 the FYE 2004 cost report will be used. For SC general acute care hospitals, each hospital's interim cost settlement will be equal to 100% of a hospital's trended allowable base year cost minus payments adjusted for new Medicaid revenue since the base year. For all general acute care border hospitals (in North Carolina and Georgia) and SC non-general acute care hospitals, each hospital's interim cost settlement will be equal to 60% of a hospital's unreimbursed costs (i.e. trended allowable base year cost minus payments adjusted for new Medicaid revenue since the base year times 60%). New Medicaid revenue will include any base rate increases since FY 2004 plus outpatient payment adjustments paid in addition to the claims payments (e.g. small hospital access payments and Medicaid co-payment).

b. Trended allowable base year cost will be calculated using the following method. For FY 2007 each hospital's FYE 2004 Medicaid outpatient allowable charges will be multiplied by the hospital's FY 2004 cost-to-charge ratio to determine the base year cost. This cost will be inflated from the base year to the payment period using the mid-year-to-mid-year inflation method and the CMS Market Basket Indices as described in Attachment 4.19-A VII.A.2. S.C. general acute care hospitals will receive 100% of their allowable Medicaid outpatient cost settlement. General acute care border hospitals (in North Carolina and Georgia) and S.C. non-general acute care hospitals will receive 60% of their allowable unreimbursed Medicaid outpatient cost.

c. The interim cost settlement amount will be determined at the beginning of the federal fiscal year and the interim cost settlement adjustments will be paid quarterly throughout the year. Once the cost reports for the cost settlement period are received, desk audited cost settlements will be determined and processed.

Additionally, effective for services on or after October 1, 2006, all FY 2006 DSH qualifying out of state general acute care border hospitals (in North Carolina and Georgia) contracting with the SC Medicaid Program that no longer qualify for the FY 2007 SC Medicaid DSH Program will receive retrospective cost settlements that will allow them to receive sixty percent (60%) of each hospital's unreimbursed allowable SC Medicaid outpatient costs in accordance with the methodology described above.

2. Effective October 1, 1999, the Outpatient Fee Schedule rates increased. The new rates can be found in the Hospital Manual. In addition, a portion of the small hospital access payment (see 4.19-A section VI) will be allocated to outpatient services.

3. CO-PAYMENT FOR OUTPATIENT HOSPITAL NONEMERGENCY SERVICES:

Effective for dates of service March 31, 2004, there is a standard co-payment (42 CFR 447.55) of \$3.00 per outpatient non-emergency service furnished in a hospital emergency room when co-payment is applicable (42 CFR 447.53). Emergency services are not subject to co-payment. The outpatient cost settlement calculation will include uncollected Medicaid co-payment amounts in accordance with 42 CFR 447.57.

B. Objectives

Implementation of the reimbursement methodology provided herein has the following objectives:

- To contain growth in the rate paid for outpatient services.
- To encourage outpatient resources be used when they are appropriate substitute for inpatient hospital services.
- To discourage the inappropriateness of outpatient hospital resources as a substitute for physician office and clinic services.
- To ensure the continued existence and stability of the core providers who serve the Medicaid population.