

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR

**ACTION REFERRAL**

TO <i>Singleton/Roberts</i>	DATE <i>11-1-13</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000158</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR  <i>Cleared 11/7/13, letter attached</i>	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <i>11-13-13</i>
	<input type="checkbox"/> FOIA DATE DUE _____
	<input 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.			

## Jan Polatty

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**From:** Lea Kerrison <lea@kerrisonlaw.com>  
**Sent:** Thursday, October 31, 2013 3:36 PM  
**To:** Deirdra Singleton  
**Cc:** Anthony Keck; Evan Gessner; Jan Polatty  
**Subject:** Formal Decision Request and Addendum - Amendment 5 to MCO Contract  
**Attachments:** Formal Decision Request and Addendum - Amendment 5 to MCO Contract (LBK).PDF

Deirdra, this is the last of the day. Attached please find a collective request for formal decision respecting Amendment Five to the MCO Contract, which includes the June 30<sup>th</sup> contract extension. The plans recently received this amendment, and we ask you to suspend the Department's requirement for plan signature while you consider the request. Call or email me to discuss, and I look forward to the decision. Thank you, Lea

Lea B. Kerrison, Esq.  
Kerrison Law, LLC  
Executive Director, Medicaid Health Plans of South Carolina  
845 Lowcountry Boulevard, Suite J  
Mount Pleasant, South Carolina 29464  
Phone: (843) 606-2242  
Facsimile (843) 606-2787  
Email: [lea@kerrisonlaw.com](mailto:lea@kerrisonlaw.com)

Bren, Pls log  
Deirdra / Legal  
"App. sign"



845 Lowcountry Boulevard, Suite J  
Mount Pleasant, South Carolina 29464  
Phone: (843) 606-2242  
Fax: (843) 606-2787  
Email: lea@kerrisonlaw.com

October 31, 2013

**Via Email Only**

Deirdra T. Singicton  
Deputy Director for Health Services  
South Carolina Department of Health & Human Services  
P.O. Box 8206  
Columbia, South Carolina 29202-8206

Re: Amendment Number Five to MCO Agreement  
Formal Decision Requested

Dear Deirdra,

Absolute Total Care, BlueChoice Health Plan Medicaid, Select Health of South Carolina and WellCare recently received Amendment Number Five and Extension Number One to the MCO Agreement (the "Amendment") with instructions to execute. On their behalf, I request (1) a formal Department decision resolving and clarifying the items set forth below by revision of the proposed Amendment, and (2) the Department suspend prior instructions to execute the Amendment until a reasonable time following resolution of the items set forth below.

The items primarily concern uncertainty over when and how rate modification will be occur between now and June 30<sup>th</sup> for the events and changes referenced in the attached addendum ("Addendum").

I expect the Addendum's items can be addressed rather easily by the Department stating that October risk adjustments, along with modifications for program changes made in 2013, will be presented to the plans shortly, and the Department shall instruct Milliman to perform a full rate setting for January 1<sup>st</sup> which will incorporate the Addendum's remaining items.

If so, we request you revise the Amendment Paragraph 2 to affirm the Department shall (1) perform an October risk adjustment and rate modifications for program changes made in 2013, and (2) perform a January 1<sup>st</sup> rate setting which, collectively with the October risk adjustment, will address all items set forth on the Addendum. If not, we request a timeline for when and how the Department shall address the items.

I suspect the Department does intend a January 1<sup>st</sup> rate setting, as Milliman's Rate Book is trended and certified only through December, 2013. Statements affirming same and addressing October risk adjustment and 2013 program changes in the Amendment would appear appropriate, given the Amendment's extension represents \$1 Billion, more or less.

Deirdra T. Singleton  
October 31, 2013  
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Finally, an error appears in the third "Whereas" clause. The current Rate Book is prepared for April, 2013 to December, 2013 and was prepared by Milliman and communicated in a letter dated September 30, 2013. Please confirm whether the Rate Book attached to the September 30<sup>th</sup> Milliman letter is the current Rate Book, and amend the "Whereas" clause accordingly.

I look forward to your formal reply, and do not hesitate to call me with any questions or concerns.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Lea B. Kerrison", written in black ink. The signature is fluid and includes a large, sweeping flourish at the end.

Lea B. Kerrison

Enclosure

cc: Anthony E. Keck  
Evan M. Gessner, Esq.

LBK

## ADDENDUM

The issues we would like for SCDHHS and Milliman to consider are as follows:

1. The rate amendment indicates the rates are effective from April 2013 – March 2014. However, the Milliman rate letter indicates the rates are effective from April 2013 – December 2013. If the rates end in March 2014, additional trending will be necessary to trend the rates to the appropriate midpoint.
2. The following are program changes that have not been reflected in the updated rate calculation:
  - a. Effective November 1, 2013, SCDHHS is revising the description of Group Psychotherapy and adding Family Group Psychotherapy to the behavioral health manual. Medicaid will no longer reimburse for other services listed as a component of Group Psychotherapy. Multiple Family Group Psychotherapy services will no longer be part of Group Psychotherapy and will be listed as a separate service with specific coverage and credential criteria. To the extent this change affects the utilization pattern and unit cost, this should be reflected in the April – December 2013 rates.
  - b. Effective on or after January 1, 2014, SCDHHS proposes to update the Vision Services policy to allow Medicaid enrolled retail optical establishments or self-employed ophthalmic dispenser (Optician) to be reimbursed for eyeglass lenses, frames and other services as outlined in the Physician, Laboratories, and Other Medical Professionals manual for its Fee for Service recipients under the age of 21. Effective January 1, 2014, any Medicaid member under the age of 21 and enrolled with a Managed Care plan, will have their ophthalmic benefits managed by the plan.
  - c. Effective on or after October 1, 2013, SCDHHS will amend the South Carolina (SC) Title XIX state plan as follows to meet the requirements of proviso #33.34:
    - i. The agency will increase the November 1, 2012 base rate component of the South Carolina Medicaid hospital specific per discharge rates by 2.75%. The Direct Medical Education and Indirect Medical Education rate components of the hospital specific per discharge rates will not be subject to the three\* percent increase. The 2.75% increase will also be applied to out of state border contracting hospitals who receive a hospital specific per discharge rate from the SC Medicaid Program. The statewide hospital per

discharge rate and the free standing short term psychiatric hospital specific per discharge rates will remain at the November 1, 2012 payment level.

1. The bulletin states that Direct Medical Education (DME) and Indirect Medical Education (IME) rate components of the hospital specific per discharge rates will not be subject to the three percent increase but other parts of the bulletin for Proviso 33.34 mentions a 2.75% increase. Please clarify if SCDHHS meant the DME and IME are not subject to the 3% increase or 2.75% increase.
  - ii. The agency will increase the November 1, 2012 hospital specific outpatient multipliers by 2.75%. The Direct Medical Education component of the multiplier will not be subject to the 2.75% percent increase. The 2.75% increase will apply to SC general acute care hospitals and out of state border hospitals that qualify to receive a hospital specific outpatient multiplier. The statewide hospital specific outpatient multiplier of 93% will remain at the November 1, 2012 level. The statewide South Carolina Medicaid outpatient hospital fee schedule rates will not be impacted by this and thus will remain at their current level.
  - iii. The agency will reimburse qualifying South Carolina Medicaid defined rural hospitals and qualifying burn intensive care unit hospitals at one hundred percent of its allowable Medicaid reimbursable costs on a retrospective basis for inpatient and outpatient hospital services provided to South Carolina Medicaid fee for service individuals for discharges/services incurred on or after October 1, 2013.
  - iv. The agency will update the swing bed and administrative day rates to reflect the current average adjusted nursing facility rates effective October 1, 2013.
- d. Effective for dates of service on or after October 15, 2013, the South Carolina Department of Health and Human Services (SCDHHS) will increase the rate for Synagis® to the current Average Wholesale Price (AWP) minus 18%. The new rate for the 100mg vial will be \$2,429.18. The 50mg vial will be reimbursed at \$1,286.44.
- e. Effective June 1, 2013, CMOs will be required to cover services provided by Community Health Workers according to the following terms.
- i. S9445 Patient education, not otherwise classified, non-physician provider, face to face, individual per session- \$20.00 per patient for no more than 4 units per day (30 min units=2 hrs) with no more than 8 units per month (4 hrs)

- ii. S9446 Patient education, not otherwise classified, non-physician provider, face to face, group per session- \$6.00 per patient with a maximum of 5 recipients in a group for no more than 2 units (1 hr) maximum session per day with no more than 4 units (2 hrs) per month
- f. Effective January 1, 2013, SCDHHS updated its policy to cover Current Procedural Terminology (CPT) Codes:
- i. 99420 - Administration of health risk assessment instrument (e.g., health hazard appraisal)
  - ii. 96110 - Developmental screening with interpretation per standardized instrument

2013 Codes	Description	Unit/Frequency	Rates	Comments
99420	administration of health risk assessment instrument (eg., health hazard appraisal)	3 x during first 11 months of a child's life: 1x per year for children aged 1-5 years old	\$8.14	Already reflected in Milliman's rate calculation.
96110	developmental screening with interpretation per standardized instrument	Up to 5 times per date of service for ages up to 18 years of age	\$7.11	Not yet captured in Milliman's rate calculation.

- g. Effective September 2013, the Policy and Procedures guide was changed for Family Planning Services
- i. The amendment changes the policy for reimbursement for these services so that the MCO is responsible for reimbursement if service is received in-network or out of network. Previously service received out of network was reimbursed via FFS.
- h. Effective for dates of service on or after November 1, 2013, (SCDHHS is announcing the coverage of the Tetanus, Diphtheria and Pertussis (Tdap) vaccine for its beneficiaries.
- i. STD codes have been removed from MCO exclusion in the Policy & Procedure Guide, but they remain on the DHLC excluded list at Rate Book page 156:  
 "Exclude if Primary Diagnosis in COMDHEC table AND Provider Number in

(DHEC01, DHEC46, DHEC59).” The exclusion should be removed and the costs adjusted in the Rate Book.

- j. Effective March 1, 2012, the Department began reimbursement for Long Acting-Reversible Contraceptives (LARCs) provided in a Hospital Setting. In that bulletin, the agency indicated that coverage for LARCs would be considered an add-on benefit to the Diagnostic Related Group (DRG) reimbursement for all dates of service on or after March 1, 2012.
3. We also believe the risk scores should be updated after the MIIN population merges with the MCO population. The MHN population in general is higher risk than the MCO population, and need to be considered in the risk score calculations.



November 7, 2013

Lea B. Kerrison, Esquire  
Executive Director  
Medicaid Health Plans of South Carolina  
845 Lowcountry Boulevard, Suite J  
Mount Pleasant, South Carolina 29464

Re: Amendment Number Five to MCO Agreement

Dear Lea:

In your letter of October 31, 2013, regarding Amendment Number Five to MCO Agreement, you stated that Absolute Total Care, BlueChoice Health Plan Medicaid, Select Health of South Carolina and WellCare (Health Plans) were uncertain when and how rate modification would occur and wanted to suspend the date for executing the Amendment. As you know, timely execution of the Amendment is necessary to extend the current MCO contract to June 30, 2014, as the contract expires on December 31, 2013 and the extension must be approved by the Centers for Medicare and Medicaid Services (CMS).

As we discussed during our conference call on November 1<sup>st</sup> and again during the MCO Operations meeting on Wednesday, Milliman is currently preparing the October 1, 2013 risk adjustments/rates, taking into consideration rate adjustments as needed based on the program changes/modifications that are effective on or after October 1, 2013. These rates will cover the period from October 1, 2013 to June 30, 2014. However, recognizing that the Medical Home Networks (MHN) conversion will be effective January 1, 2014, Milliman will review the October 1, 2013 rates during the March 2014-April 2014 time period, after the MHN members have enrolled in an MCO, to determine whether further adjustments to the rates are warranted.

We have also shared with Milliman the issues you asked the Department and Milliman to consider that were contained in the Addendum to your October 31<sup>st</sup> letter. These issues will be addressed under separate cover.

Finally, since I did not get this letter to you and the Plans yesterday as intended, the date for returning the executed Amendment to the Department is November 14, 2013. Do not hesitate to call or email me if you have questions.

Sincerely,

  
Deirdra T. Singleton  
Deputy Director

Cc: Health Plans  
James Ritchie  
Nathaniel Patterson, Program Director  
Evan M. Gessner, Esquire