

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR

ACTION REFERRAL

TO <i>Singletan</i>	DATE <i>1-26-11</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>1011318</i>	<input checked="" type="checkbox"/> Prepare reply for the Director's signature DATE DUE <i>2-2-11</i>
2. DATE SIGNED BY DIRECTOR <i>cc: Mr. Fack Closed 2/15/11/letter attached.</i>	<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____ <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.			



STATE OF SOUTH CAROLINA  
THE SENATE

ROBERT W. HAYES, JR.  
SENATOR YORK COUNTY  
SENATORIAL DISTRICT NO. 15

COMMITTEES:  
ETHICS, CHAIRMAN  
BANKING AND INSURANCE  
EDUCATION  
FINANCE  
GENERAL  
MEDICAL AFFAIRS

SENATE ADDRESS:

SUITE 205  
GRESSETT SENATE OFFICE BLDG.  
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EMAIL: SETHICSCOMM@SCSENATE.GOV

HOME ADDRESS:

P.O. BOX 904  
ROCK HILL, SC 29731  
803-324-2800

January 25, 2011

**RECEIVED**

JAN 26 2011

Department of Health & Human Services  
OFFICE OF THE DIRECTOR

Mr. Tony Keck, Director  
Department of Health and Human Services  
P. O. Box 8206  
Columbia, SC 29202-8206

Dear Mr Keck:

A handwritten signature in dark ink, appearing to read "Rob", written over a horizontal line.

Enclosed is a copy of a letter I received from Ms. Laura Hyatt-Sweat, who is associated with Good Pharmacy in Rock Hill, concerning the recent decision by your DME division to place their waiver program out for competitive bidding. I respectfully request that you look into this matter and please reconsider this decision. I strongly believe that patients should have the right to change providers if they are not receiving proper service. Also, I think that competition among DME providers is good in that no provider should have a monopoly.

Ms. Hyatt-Sweat raises some valid points and I look forward to receiving your feedback so that I can respond to her. Thank you for your help in this matter.

With warm regards, I am

Sincerely,

A handwritten signature in dark ink, appearing to read "Rob", written over a horizontal line.

Robert W. Hayes, Jr.

RWH:rjd

Cc: Laura Hyatt-Sweat, PharmD  
Good Pharmacy  
1237 Ebenezer Road  
Rock Hill, SC 29732

Honorable Robert W. Hayes, Jr.

January 21, 2011

Senator York County

PO Box 904

Rock Hill, SC 29731

Re: SC Medicaid CLTC Waiver Program

Dear Senator Hayes,

This letter is to inform you of the recent decision by the SC Department of Health and Human Services, Durable Medical Equipment division to place their waiver program out for competitive bidding. This bidding procedure will eliminate all competition among DME providers who currently service the waiver program and will create a provider monopoly within the state.

Currently, DME providers can enroll as a CLTC waiver provider and agree to the contracted rates for supplies such as adult diapers/briefs, adult wipes, and incontinence underpads (to place on beds to assist with patients who have limited or no continence control). Patients who are enrolled in the CLTC waiver program, and need these services, are given a list of providers in their area that can provide the needed supplies. Once the patient selects their provider, the CLTC patient case manager contacts the chosen DME provider and arranges for the delivery and resupplies with the provider. The current process allows for the patient to change providers if they are not being serviced properly or adequately.

With the proposed single provider change, the patients will have no ability to change providers if their service is not up to par or doesn't meet their needs. Secondly, all billing has to be performed electronically so there would be little cost savings associated with decreasing the number of providers who bill.

We would like to respectfully request that the competitive bidding process be placed on hold for now. It is our request that DHHS outline the reasons why the competitive bidding is a viable alternative to the current distribution structure of the waiver program. We would also like DHHS to explain to us how this will significantly save the State of South Carolina money AND how this improves access or quality of care in a local or regional healthcare setting.

We respectfully request that you consider our recommendation and if you have need for further clarification, please contact me at 802-327-2081.

Sincerely,

Laura Hyatt-Sweat, PharmD  
Good Pharmacy



SENATOR ROBERT W. HAYES, JR.  
P. O. BOX 142  
GRESSETTE SENATE OFFICE BLDG.  
COLUMBIA, SOUTH CAROLINA 29202

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OFFICE OF THE DIRECTOR

Mr. Tony Keck, Director  
Department of Health and Human Services  
P. O. Box 8206  
Columbia, SC 29202-8206

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JAN 26 2011



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February 15, 2011

The Honorable Robert W. Hayes, Jr.  
Senator York County  
Post Office Box 142  
Columbia, SC 29202

Dear Senator Hayes:

Thank you for your letter dated January 25, 2011, expressing the concern of your constituent and yourself related to the competitive procurement of incontinence supplies and award to one vendor by the South Carolina Department of Health and Human Services (SCDHHS). SCDHHS has withdrawn the solicitation and are having internal discussions to improve the procurement of incontinence products. However, based on the results of the initial solicitation, SCDHHS knows that the competitive procurement of incontinence supplies will achieve significant savings.

SCDHHS made the decision to procure incontinence products through a competitive bid process, awarding a contract to one vendor after much research, discussion and consideration. Other states are pursuing or have already instituted similar programs for competitively procuring incontinence products.

Currently, there are more than two hundred seventy-five (275) providers enrolled in the South Carolina Medicaid program who provide incontinence products to approximately twenty thousand participants. In any geographical location, participants could be presented with a list of over fifty different providers by their case manager and asked to make a provider selection. SCDHHS believes that this is unnecessarily confusing to participants trying to make an informed choice of product.

Most of these enrolled providers supply incontinence products among other durable medical equipment. While some providers, no doubt, provide high quality products, others at the expense of participants provide lower cost products, including defective items that increase their profit margin. The current program reimburses these providers at a fixed rate per product, regardless of the quality. As these are enrolled providers, rather than contracted providers, SCDHHS has no ability to place requirements on these providers related to the quality of product, the responsiveness of the service, or the reporting of complaints.

Contracting with each of the 275 currently enrolled providers would be a tremendous administrative burden on the resources of SCDHHS. We believe the competitive procurement process of awarding one contract would be more efficient

The Honorable Robert W. Hayes, Jr.  
February 15, 2011  
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and would enable the agency to more effectively monitor the vendor's compliance with contract requirements.

By competitively bidding incontinence products, market forces are able to control the process and SCDHHS is able to create a contract to standardize the quality of incontinence products and services across South Carolina and achieve savings, best serving both the participants and the agency. By narrowing the award to one vendor, SCDHHS is able to use economies of scale to its advantage to achieve a level of pricing that would not be possible with multiple vendors. This single vendor will be either shipping or delivering the incontinence supplies directly to the participants, so the participants will be serviced as well as or better than the current system.

The solicitation document required that the single vendor would provide the participants a choice of three products that would meet the quality standards presented in the solicitation. The solicitation required the vendor to meet certain service standards and report any complaints related to products or service to assist SCDHHS in the monitoring of this program at a level not currently available. Additionally, performance standards and guarantees were included to allow liquidated damages to be imposed if the vendor fails to comply with quality and service requirements. Thus, the solicitation gave SCDHHS more control over the products and services that the participants are receiving.

I sincerely hope that the above information enables you to understand the choices that SCDHHS has made regarding the procurement of incontinence supplies. Please feel free to contact me if you have any additional questions.

Sincerely,



Anthony E. Keck  
Director

AEK/sb