

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

TO <i>Singleton</i>	DATE <i>7-29-13</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000049</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>cc: Mr. Keck, Host, Depo,</i> <i>CMS file</i>	<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
Atlanta Regional Office
61 Forsyth Street, Suite 4T20
Atlanta, Georgia 30303



DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS

July 23, 2013

Mr. Anthony E. Keck, Director
South Carolina Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

RECEIVED

JUL 29 2013

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Dear Mr. Keck:

This letter is to inform you that the Centers for Medicare & Medicaid Services (CMS) approves the South Carolina submission of Managed Care Organization (MCO) amended contracts and related capitation rates for the period November 1, 2012 through March 31, 2013 between South Carolina Department of Health and Human Services (SCDHHS) and the following entities:

- Amendment 2 – Select Health of South Carolina, Inc.
- Amendment 2 – BlueChoice Health Plan of South Carolina, Inc.
- Amendment 2 – Absolute Total Care, Inc.

These amendments reflect changes to Appendix B, Capitation Rates and Reimbursement Methodology, of the MCO contracts as a result of revised hospital outpatient reimbursement implemented by SCDHHS on November 1, 2012 and revised hospital outpatient based therapy services reimbursement implemented in June 2012. The administrative cost allowance remained unchanged and is consistent with the approved April 2012 – March 2013 capitation rates. The risk adjustment was calculated and certified by Milliman, Inc..

Additionally, section 1932(f) of the Social Security Act requires Medicaid managed care health plans to make payment for primary care services furnished by certain physicians at amounts at least equal to Medicare payment rates in calendar years (CY) 2013 and 2014. Federal financial participation (FFP) is available at a rate of 100 percent for the portion of capitation rates attributable to these enhanced payments. Implementing regulations at 42 CFR 438.804 requires states to submit to CMS a methodology for calculating the July 1, 2009 baseline rate for eligible primary care services and a methodology for calculating the rate differential eligible for 100 percent FFP by March 31, 2013. The state has complied with this requirement by submitting a revised MCO payment methodology for the increased primary care rate service payment which CMS has approved. Further, 42 CFR 438.6 (c)(5)(v) establishes MCO, PIHP or PAHP contract requirements to comply with this provision.

Mr. Anthony E. Keck

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CMS approves these MCO contracts and accompanying capitation rate amendments, with the understanding that neither the contract nor the actuarial certification is compliant with these provisions. It is CMS' expectation that as soon as practicable the state will:

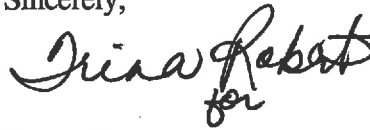
1. submit revised actuarial certification documents reflecting the Medicare rate for eligible primary care services in their MCO capitation rates; and
2. submit amendment(s) to this contract to ensure compliance with 42 CFR 438.6 (c)(5)(v).

After CMS approval of the revised contract and rates, the MCO must direct the full amount of the enhanced payment to the eligible provider to reflect the enhanced payment effective January 1, 2013. FFP is available at a rate of 100 percent for the portion of capitation rates attributable to these enhanced payments; however, receipt of the enhanced FFP is contingent upon the state's successful completion of this process.

If any future actuarial study or financial review reveals inaccuracies in the submitted risk adjusted rate data, we reserve the right to recover the federal share of any unallowable costs resulting from the inaccuracies. In addition, if errors in the rates are later determined, you will be required to adjust your quarterly expenditure report to the Centers for Medicare & Medicaid Services.

Should you have any questions regarding this matter, please contact Rolan Small, Branch Manager, 404-562-7313, rolan.small@cms.hhs.gov, or Michelle White, Financial Analyst, 404-562-7328, michelle.white@cms.hhs.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Jackie Glaze".

Jackie Glaze
Associate Regional Administrator
Division of Medicaid & Children's Health Operations