

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

TO <i>Hess</i>	DATE <i>6-6-11</i>
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DIRECTOR'S USE ONLY		ACTION REQUESTED	
1. LOG NUMBER 100541	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <i>7/8/11</i> _____	
2. DATE SIGNED BY DIRECTOR <i>CC: Mr. Teck, Depo, CMS F.L., Jacobs, George Marky</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. <i>Extend until 7/8/11, per Jett Sajon on 6/27/11</i>			<i>Re-log to Sajon Copy to: George M</i>
2. <i>Close Per Ray, see e-mail response</i>			
3.			
4.			

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

TO <i>WalDROP</i>	DATE <i>6-6-11</i>
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DIRECTOR'S USE ONLY 1. LOG NUMBER <div style="text-align: center;"><i>101541</i></div> 2. DATE SIGNED BY DIRECTOR <div style="text-align: center;"><i>CC. Mr. Steck, Depo, CMS & L, Jacobs</i></div>	ACTION REQUESTED <input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____ <input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <i>6-17-11</i> <input type="checkbox"/> FOIA DATE DUE _____ <input type="checkbox"/> Necessary Action
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APPROVALS <small>(Only when prepared for director's signature)</small>	APPROVE	* DISAPPROVE <small>(Note reason for disapproval and return to preparer)</small>	COMMENT
1.			
2.			
3.			
4.			

Department of Health & Human Services
Centers for Medicare & Medicaid Services
61 Forsyth Street, SW, Suite
Atlanta, Georgia 30303-8909



June 2, 2011

RECEIVED

JUN 06 2011

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

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Dear Mr. Keck:

This letter is in response to the State's request to have CMS re-evaluate South Carolina Department of Disabilities and Special Needs (SCDDSN) administrative costs submitted to the Centers for Medicare & Medicaid (CMS) on January 7, 2011. We have reviewed the additional information submitted and based on our review, CMS believes its initial assessment is correct. The regional and central office administrative expenses cannot be incorporated in the rate claimed to Medicaid as waiver costs. These costs are considered administrative and must be claimed at the 50 percent match.

The methodology the State employed to determine the administrative costs that should be excluded from the rate is based on the premise that SCDDSN is a service provider and not an administrative agency. However, based on the CMS publication, *Application for a 1915(c) Home and Community-Based Waiver, Instructions, Technical Guide, and Review Criteria, Version 3.5, Appendix 1: Financial Accountability*, page 260, an OHCDs must provide at least one Medicaid service directly (utilizing its own employees) and may contract with other qualified providers to furnish other waiver services. So the fact that SCDDSN provides direct services does not qualify it to include administrative costs in its service rate.


In its initial response to CMS, the State asserted that the administrative costs claimed in the waiver rate to Medicaid was composed of regional administrative costs attributable to its Intermediate Care Facilities for the Mentally Retarded (ICF/MR) and central office administrative costs. The State also asserted that the ICF/MRs along with the waiver program operated as an OHCDs. When providers are organized as an OHCDs, it cannot be constructed in a way that administrative expenses are claimed as service costs. CMS' position is based in our interpretation of the CMS publication, *Application for a 1915(c) Home and Community-Based Waiver, Instructions, Technical Guide, and Review Criteria, Version 3.5, Appendix 1: Financial Accountability*, Page 261, "When an OHCDs arrangement is employed, it may not be structured in a fashion that has the effect of claiming administrative expenses as service expenses. In other words, the amount that the OHCDs is paid for the provision of waiver services may not be diverted to administrative activities."

Dear Mr. Keck
June 2, 2011

CMS is requesting that the State come into compliance with the reporting of SCDDSN administrative cost on the CMS-64 Expenditure report for quarter ending September 30, 2011 and retrospective adjustments of the rates through cost settlement to January 1, 2011. If the State is now asserting that the ICF/MRs are no longer a part of the OHCDs or the waiver rate claimed to Medicaid, CMS asks that the State provide documentation of such, and explanation as to why the ICF/MRs were included in the rate in the past.

If you have any additional questions please contact Michelle White at (404) 562-7328 or Davida Kimble at 404-562-7496.

Sincerely,

A handwritten signature in cursive script that reads "Jackie Glaze".

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

From: "Waring, Tom" <TWaring@ddsn.sc.gov>
To: 'Jeff Saxon' <Saxon@scdhs.gov>
Date: 7/19/2011 12:16 PM
Subject: RE: Regional Administrative Costs

Jeff:

The regional administrative costs referred to in the document "SCDDSN Administrative Costs", 2nd paragraph of the section 'Administrative Cost' are the administrative costs of the four regional ICF/MR centers. These costs are solely related to the cost of the ICF/MR program and include the Facility Administrator and support staff that oversee the day to day operations of the ICF/MR program. These cost are not allocated to the HCB waivers.

The regional office costs discussed in later conversations are totally different. These are the costs of DDSN's regional offices, which DDSN has consolidated into two District Offices. The Regional Office/District Offices oversee the ICF/MR centers as well as the community programs. The Regional Office/District Offices provide support to DDSN's service delivery system in all program areas with HCB waivers picking up their share of these allocated costs.

In response to the June 2, 2011 letter from CMS, DDSN has not asserted that the administrative costs related to the operation of the ICF/MR program were claimed in the waiver rate. ICF/MR costs have never been claimed in the waiver rate.

On another matter, DDSN holds the Certificate of Need as well as the license for all ICF/MR beds in South Carolina. Thus, DDSN is the sole provider of ICF/MR services in South Carolina. All costs associated with the ICF/MR program, in accordance with federal reimbursement methodologies, should be reimbursed at the service rate.

Hope this helps.

Tom Waring
803-898-9792
803-898-9656 (Fax)
email - TWaring@DDSN.SC.Gov

-----Original Message-----

From: Jeff Saxon [mailto:Saxon@scdhs.gov]

Sent: Thursday, July 07, 2011 5:50 PM

To: Waring, Tom

Subject: Regional Administrative Costs

* PGP Signed: 07/07/2011 at 05:50:23 PM, Decrypted

Tom:

In your document entitled "SCDDSN Administrative Costs", you indicated under the Administrative Cost section, second paragraph, that "regional administrative costs are solely related to the operations of the four regional ICFs/MR centers (campuses)." Assuming that the regional administrative costs and the regional office costs are one in the same, I believe that I recalled from a later conversation or meeting that you stated that these regional office costs were also allocated to the waiver services as well. Could you please confirm or correct me as I need to follow up with Cheryl Wiggall on the June 2, 2011 letter.

Thanks and call me if questions.

Jeff

Jeff Saxon
Bureau Chief
Bureau of Reimbursement Methodology & Policy
SCDHHS
Phone: 803.898.1040
Fax: 803.255.8228

Confidentiality Note

This message is intended for the use of the person or entity to which it is addressed and may contain information, including health information, that is privileged, confidential, and the disclosure of which is governed by applicable law. If the reader of this message is not the intended recipient, or the employee or agent responsible to deliver it to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this information is **STRICTLY PROHIBITED**.

If you have received this in error, please notify us immediately and destroy the related message.

* Saxon <Saxon@scdhhs.gov>
* 0X0DB14B0D

From: Jeff Saxon
To: Cheryl (CMS/REG04) Wiegfall
CC: Roy Hess; Sam waldrep
Date: 7/22/2011 11:30 AM
Subject: Fwd: RE: Regional Administrative Costs
Attachments: RE: Regional Administrative Costs

Cheryl:

I have attached information provided by Tom Waring concerning the regional administrative costs and regional office costs that we discussed a couple of weeks ago in relation to the June 2, 2011 letter from CMS (last sentence in first paragraph of second page). These are actually two different cost pools.

Please let me know if you have any questions or wish to discuss further based upon your review of this information. We will officially respond to the June 2, 2011 letter from CMS once we have received additional instruction/guidance from CMS on this issue.

Jeff

Jeff Saxon
Bureau Chief
Bureau of Reimbursement Methodology & Policy
SCDHHS
Phone: 803.898.1040
Fax: 803.255.8228

Roy Hess - RE: RE: Regional Administrative Costs

From: "Wigfall, Cheryl (CMS/SC)" <Cheryl.Wigfall@cms.hhs.gov>
To: Jeff Saxon <Saxon@scdhs.gov>
Date: 7/22/2011 12:15 PM
Subject: RE: RE: Regional Administrative Costs

Yes, we can also talk on Monday.

thanks

Cheryl A. Wigfall, MBA, CPA
Funding Specialist, Region IV
Division of Medicaid & Children's Health Operations
Centers for Medicare & Medicaid Services
1813 Main Street, 1st Floor, suite K-124
Columbia, SC 29201
803-252-7172 Office
803-252-7981 Fax

From: Jeff Saxon [mailto:Saxon@scdhs.gov]
Sent: Friday, July 22, 2011 12:13 PM
To: Wigfall, Cheryl (CMS/SC)
Subject: RE: RE: Regional Administrative Costs

Cheryl:

I listened to your voicemail but you were fading in and out. I believe that I heard you say that you were forwarding the information to Davida and that the state should just wait to hear from CMS before responding to the June 2, 2011 letter. We can talk further on Monday.

Thanks Jeff

>>> "Wigfall, Cheryl (CMS/SC)" <Cheryl.Wigfall@cms.hhs.gov> 7/22/2011 12:01 PM >>>
Jeff
I left you a voice mail.

Cheryl A. Wigfall, MBA, CPA
Funding Specialist, Region IV
Division of Medicaid & Children's Health Operations
Centers for Medicare & Medicaid Services
1813 Main Street, 1st Floor, suite K-124