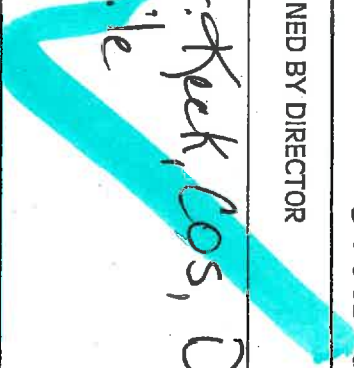


DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

TO <i>Supra</i>	DATE <i>3-12-13</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOC NUMBER 000278	<input type="checkbox"/> I Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>cc: Mr. Heck, COS, Deps, CMS file</i> 	<input type="checkbox"/> I Prepare reply for appropriate signature DATE DUE _____ <input type="checkbox"/> I 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 4120
Atlanta, Georgia 30303



DIVISION OF MEDICAID & CHILDREN'S HEALTH OPERATIONS

March 6, 2013

SC-13-004

Mr. Anthony E. Keck, Director
Department of Health & Human Services
1801 Main Street
Columbia, SC 29201-8206

RECEIVED
MAR 11 2013

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Dear Mr. Keck:

The Centers for Medicare & Medicaid Services (CMS) approves the Implementation Advance Planning Document-Update (IAPD-U) submitted by South Carolina on February 4, 2013. The IAPD-U was submitted to extend the schedule and budget for the state's International Statistical Classification of Diseases and Related Health Problems, 10th revision (ICD-10) project following CMS's decision to move the implementation date for ICD-10 code sets from October 1, 2013 to October 1, 2014.

South Carolina requests additional time and funding to develop and implement a more robust ICD-10 testing strategy that includes quality assurance testing, user acceptance testing, external testing with trading partners, and end-to-end testing. Furthermore, the state plans to use some of the additional funding to study the project's potential impacts to the Medicaid Management Information System (MMIS), analyze policies and provider manuals related to the project, develop ICD-10 communications for all stakeholders, and train agency personnel on the ICD-10 code sets.

Initial funding for South Carolina's ICD-10 project was approved by CMS in a letter to the state dated January 23, 2012, approving the state's Implementation Advance Planning Document (IAPD). In that letter, CMS approved funding in the amount of \$16,886,337, with Federal Financial Participation (FFP) amounting to \$15,153,003 (\$14,956,503 at 90 percent FFP, \$187,500 at 75 percent FFP, and \$9,000 at 50 percent FFP).

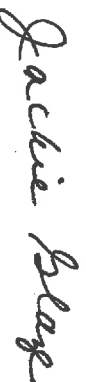
CMS is approving South Carolina's request for an additional \$1,770,153 (\$1,368,929 in FFP, broken out as \$1,088,669 at 90 percent FFP, and \$280,260 at 50 percent FFP). This brings the total amount of funding approved by CMS for the state's ICD-10 project to \$18,656,490 (\$16,521,392 in FFP, consisting of \$16,045,172 at 90 percent FFP, \$187,500 at 75 percent FFP, and \$289,260 at 50 percent FFP). Funding approval for the state's ICD-10 implementation project will expire on October 1, 2014. Our approval of the state's IAPD-U is subject to the requirements in Section 1903(a)(3) of the Social Security Act, and regulations at 45 CFR Part 95, Subpart F, 42 CFR Part 433, Subpart C, and Part 11 of the State Medicaid Manual.

The state is reminded that onsite reviews may be conducted to determine whether or not the objectives for which FFP was approved are being accomplished, and whether or not the automatic data processing (ADP) equipment or services are being efficiently and effectively utilized in support of approved programs or projects as provided for at 45 CFR Part 95, Section 621 and the State Medicaid Manual (SMM). As provided by the SMM, Section 11200 and by 45 CFR 95.611, all subsequent revisions and amendments to the APD for this project will require CMS prior written approval to qualify for FFP. In accordance with 45 CFR Part 95.623, state acquisition of ADP equipment and services without prior approval could result in disallowance of FFP.

Any changes to previously approved contracts for this effort require CMS prior approval pursuant to 45 CFR 95.611. Allowable costs are determined by 42 CFR Part 433.116, 45 CFR Part 92, 45 CFR Part 95, Subpart F, and the SMM, Part 11. Only actual costs incurred are reimbursable. The state must provide adequate support for all costs claimed in addition to providing detailed records and proper audit trails.

I would like to thank you and your staff for your work towards implementation of the ICD-10 code sets. If there are any questions concerning this information, please contact John Allison at (828) 575-2876 or via email at John.Allison@cims.hhs.gov.

Sincerely,

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

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