

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR**

ACTION REFERRAL

TO <i>Mells</i>	DATE <i>7-10-07</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>000012</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>cc: Bowling, files; Singleku.</i>	<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____
	<input type="checkbox"/> FOIA DATE DUE _____
	<input checked="" type="checkbox"/> Necessary Action

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, Suite 4120
Atlanta, Georgia 30303-8909



Log: Wells
C: Bowling
Wells
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RECEIVED

July 3, 2007

JUL 10 2007

Ms. Susan Bowling, Director (Acting)
South Carolina Department of Health and Human Services
P.O. Box 8306
Columbia, SC 29202-8206

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Re: Notification of Review of Cost Allocation Procedures under the S.C. / Clemson
MMIS and MEDS Contracts and the S.C. / BCBS Front-End Contract.

Dear Ms. Bowling,

The Centers for Medicare and Medicaid Services (CMS), Atlanta Regional Office, will be conducting a financial management review (FMR) of the cost allocation relating to claims submitted under the SCDHHS MMIS contracts with the Clemson University Computer Center (CUCC) and Blue Cross / Blue Shield of South Carolina (BCBS) for the period covering the State fiscal year (SFY) 2006 through March, 2007. We plan to begin work in July 2007. It is anticipated that at least a one week on-site visit will be necessary the week of July 15, 2007 to the CUCC and BCBS offices.

Objectives of the Review:

The primary review objectives are:

1. To determine whether the cost allocation methodologies employed by the SCDHHS contractors accurately allocated their direct and indirect costs to the appropriate Federal matching rates. If material conditions are found that might have also affected periods prior to our intended scope, then we will a possibility of expanding the scope into prior periods.
2. To determine whether adjustments must be reported on the CMS-64/ expenditure reports (QER) to correct any expenditure data and/or inc Federal financial participation (FFP) claimed by the State.

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Scope of the Review:

The review will be conducted by a multifunctional team of CMS personnel, including financial, program, and MMIS staff, in coordination with SCDHHS and contractor staff. CMS staff will participate in on-site visits at the SCDHHS facility in Columbia, as well as the Clemson and BCBS MMIS facilities in Anderson, SC. CMS staff will be referring

to CMS' *Title XIX Financial Management Review Guide #4: Medicaid Management Information Systems Reviews* in conducting this FMR. Pursuant to the review guide, the following activities will be conducted by CMS staff:

1. Determine which of the contractors' services/functions and/or costs represent allowable expenditures under either the Title XIX or Title XXI programs. This should be determined through discussions with the State and/or fiscal agent staff, and by reviewing the terms of the contracts, the Federal regulations, and the State Medicaid Manual (SMM) – Part 11.
 - a. For the contractor costs or expenditures that are federally allowable, determine the appropriate Federal matching rates for them and confirm whether or not the State's cost allocation plan and procedures have claimed them correctly on the Federal QERs for the two programs, respectively.
 - b. Review contractor billings and State payments for any contractor services performed in addition to the regular monthly claims processing fees. Determine if the additional charges are allowable and claimed at the proper Federal matching rates for the respective Federal programs. Review supporting documentation for these additional charges to determine if these costs are claimed in accordance with the approved MMIS contracts.
2. With respect to the CUCC, CMS will devote special attention in an attempt to ensure that the Federal Title XIX and XXI programs are not incurring any CUCC costs that are properly allocable to the CUCC's excess capacity, the Clemson University's educational activities, or its other paying customers.

The information above is intended to provide only a broad outline of the review procedures which will be conducted by CMS staff. Our review activities may be revised or curtailed, or additional review activities included, as necessary, during the progress of the review.

CMS greatly appreciates the time and assistance of your staff during the conduct of this review. Please contact Jay Gavens, Manager, Financial and Program Operations Branch at 404-562-7430, or Mark Halter, Financial Analyst, at 404-562-7149, if you have any questions or comments relating to this review.

Sincerely,



Renard L. Murray, D.M.
Associate Regional Administrator
Division of Medicaid & Children's Health Operations