

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR

**RECEIVED**

OCT 25 2012

**ACTION REFERRAL**

SCDHHS  
Office of General Counsel

*Re-log from Roberts to Johnson on 11/5/12*

TO <i>Johnson</i>	DATE <i>10-24-12</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>100126</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR  <i>CC: Krause, Hess, Liggett, Cadden, Roberts, Saxon</i>	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <i>11-14-12</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>JFB Saxon</i>
2.			<i>CC: Saxon</i>
3.			<i>Robert</i>
4.			<i>Krause</i>

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR

**ACTION REFERRAL**

TO <i>Roberts</i>	DATE <i>10-24-12</i>
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DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER <i>100126</i>	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>CC: Krause, Hess, Liggett, Carter, Johnson, Saxon</i>	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <i>11-5-12</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>Jeff Saxon</i>
2.			<i>CC: [unclear] Patrick</i>
3.			<i>[unclear]</i>
4.			<i>[unclear]</i>

# Nelson Mullins

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October 17, 2012

**RECEIVED**

OCT 24 2012

Department of Health & Human Services  
OFFICE OF THE DIRECTOR

Sam Waldrep  
Deputy Director  
Department of Health and Human Services  
Post Office 8206  
Columbia, S. C. 29202-8206

Dear Sam,

The McCord Center is a licensed in-patient psychiatric hospital for adolescent alcohol and substance abuse services. The facility operates 15 beds that serve a population from every county in the state. McCord operates at full capacity throughout the year, except when they have an unexpected discharge and cannot process an admission for a day or two. There is a consistent waiting list of between 25-50 throughout the year.

Admissions to McCord are both male and female, generally between the ages of 15-17. Most are admitted for abusing multiple substances (most common are marijuana, alcohol, cocaine, opiates, benzodiazepines, amphetamines, methamphetamines, ecstasy and cigarettes). Most have a history of multiple failed episodes of outpatient alcohol/drug treatment and mental health treatment.

Many of these kids have had a history of legal involvement with the Department of Juvenile Justice and Family Court. Most of the referrals to the McCord Center come from the local alcohol and drug abuse commissions in counties throughout the state. Between 65% - 75% have co-occurring disorders such as ADHD, major depression, Bipolar disorder, PTSD, anxiety disorder and conduct disorder. A large number have a history of sexual promiscuity and untreated medical problems. Most of the children have a family history of addiction and mental health issues that are ongoing. They come from a single parent household that provides minimal support and structure. Most parents are Medicaid eligible, or just above the eligibility level, but with no insurance and no access to care services for their children. Generally, they are one or more grade levels behind their peers and not performing within their age norm or grade level.

The average length of stay during the most recent fiscal year was 44 days. During the past fiscal year, McCord had 119 admissions and 110 discharges. These numbers are consistent with trends identified for the past few years. Seventy (70%) percent of the kids who present at admission are Medicaid eligible. The remaining thirty (30%) percent have Medicaid at discharge because they become Medicaid eligible after they have been out of the home thirty (30) days.

In 2011, McCord came into compliance with CMS standards for a psychiatric hospital. To meet these standards, McCord committed to upgrading its medical and clinical staff. These upgrades took place beginning in November 2011 and spending for these upgrades is now annualized in McCord's operating budget. Obviously, these upgrades have had a significant increase in McCord's costs, but were necessary to meet the conditions for operating as a psychiatric hospital.

A cost analysis for the McCord Center is set out below, which will identify the increased costs associated with these upgrades. (These costs are based on an average length of stay of 44 days.)

FY	Dailey Rate	Patient Costs
7/2010 - 6/2011	\$410	\$18,040
7/2011 - 6/2012	\$440	\$19,360
7/2012 - 6/2013	\$510	\$22,440

We recognize the changing environment as it relates to health costs, outcomes and quality. As a provider of these critical services, we see every day the unmet needs across our state, and recognize that we must all work together to have any opportunity to expand access to these services. We are also concerned, however, that well intentioned attempts to impose prior authorizations on these services could very well further impede access to these services. We believe there are better alternatives to foster coordination of care at an affordable cost to Medicaid.

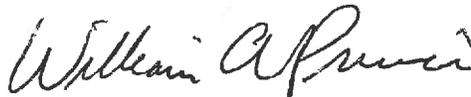
To that end, the McCord Center would like to propose a change in our reimbursement methodology. Currently, we are paid an interim rate that is cost settled at the end of the fiscal year. While that methodology has worked well, we are ready to negotiate a reimbursement methodology that will better align care incentives, promote the coordination of care, promote access to alternative level services and provide better value to Medicaid. We would like to discuss with DHHS a transition to a capitated reimbursement methodology for the McCord Center. We recognize capitation presents its own challenges, but we believe it a preferable alternative to a cost-based system with prior authorizations that could severely impact access. We also believe capitation could offer incentives to develop more effective care alternatives when kids are discharged from the McCord Center. It will be our objective to enhance this coordination of care through the AOD system to better serve these kids.

Sam Waldrep  
October 17, 2012  
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There are many details we would need to address to implement this transition, including, but not limited to, a mutually agreeable capitation rate, any outliers that may be necessary, refinement in the eligibility process for kids who are not eligible at admission and other issues that will impact access and cost.

We look forward to the opportunity to discuss this transition with you. We would like to schedule a meeting at your convenience. In the meantime, please contact me if you have any specific questions or require any further information.

Very truly yours,

A handwritten signature in black ink that reads "William A. Prince". The signature is written in a cursive style with a large, prominent initial "W".

William A. Prince

WAP:eh