

DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

TO <i>Myers</i>	DATE <i>4/2/10</i>
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DIRECTOR'S USE ONLY		ACTION REQUESTED	
1. LOG NUMBER <i>1001411</i>		<input checked="" type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____	
2. DATE SIGNED BY DIRECTOR <i>Ernie Jackson - Dept CMS file (Smith)</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
150 S. Independence Mall West
Suite 216, The Public Ledger Building
Philadelphia, Pennsylvania 19106-3499



Division of Medicaid and Children's Health Operations / Philadelphia Regional Office

MAR 30 2010

RECEIVED

APR 02 2010

Emma Forkner, Director
South Carolina, Department of Human Services
P.O. Box 8206
Columbia, South Carolina 29202-8206

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Dear Ms. Forkner:

The Centers for Medicare and Medicaid Services (CMS) conducted an onsite visit at the State's Department of Health and Human Services (DHHS) from February 1-4, 2010 and reviewed South Carolina Department of Disabilities and Special Needs (DDSN) costs for the period of October 1, 2006-September 30, 2008. The review team interviewed State personnel, reviewed waiver applications, supporting documentation on rate methodologies, applicable sections of the Social Security Act, and the Federal Code of Regulations. The scope of this review included documentary evidence of the State's process for determining Room & Board (R&B) costs and to determine if the reimbursement methodologies used by DHHS for the §1915 (c) waiver services provided in-group residential settings include any R&B costs.

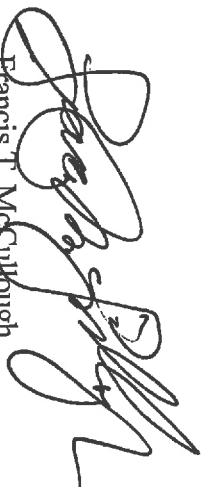
During the course of this review, CMS determined that the Organized Health Care Delivery System's (OHCHDS) administrative expenses, both at the regional and DDSN levels are being incorporated into the rate claimed to Medicaid as a waiver cost. CMS has determined that those administrative expenses should be backed out of the rate and claimed as administrative expense on the CMS Quarterly Medicaid Statement of Expenditures (CMS 64). Specifically, citing the CMS publication, Application for a §1915 (c) Home and Community-Based Waiver, Instructions, Technical Guide, and Review Criteria, Version 3.5, Appendix I: Financial Accountability, Page 261, "When an OHCHDS arrangement is employed, it may not be structured in a fashion that has the effect of claiming administrative expenses as service expenses." It further states, "In other words, the amount that the OHCHDS is paid for the provision of the waiver services may not be diverted to administrative activities."

At this time, CMS will not be issuing a formal report as a result of the review, but will use the information gathered to drive policy decisions related to the review of §1915 (c) waivers. However, due to the fact that DDSN is claiming administrative expenses as service costs which is a violation of long-standing CMS policy communicated in the HCBS Technical Guide, we feel that this matter needs to be addressed so as to bring the waiver into compliance.

At this time, CMS is requesting a prospective adjustment of the Residential Rates effective July 1, 2010 by requiring the removal of the regional and DDSN level administrative expenses from the services claims. These removed costs can then be properly claimed on the CMS-64.10 as administration at 50% FFP as administrative expenses. We are requesting that the State inform CMS in writing that they agree to implement this change as of July 1, 2010.

Thank you for your cooperation and assistance in this matter. Please direct any inquiries concerning this letter to Joyce Wilkerson (404) 562-7426 or email Joyce.Wilkerson@cms.hhs.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Francis T. McCullough", written in a cursive style.

Francis T. McCullough
Financial Management Branch Manager