

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF DIRECTOR

ACTION REFERRAL

TO <i>Basilny</i>	DATE <i>3-12-07</i>
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DIRECTOR'S USE ONLY		ACTION REQUESTED	
1. LOG NUMBER <i>000583</i>	<input checked="" type="checkbox"/> Prepare reply for the Director's signature DATE DUE <i>3-19-07</i>		
2. DATE SIGNED BY DIRECTOR	<input type="checkbox"/> Prepare reply for appropriate signature DATE DUE _____ <input type="checkbox"/> FOIA DATE DUE _____ <input type="checkbox"/> Necessary Action		
<i>Ref: Log #573</i> <i>cleared 4/27/07, letter attached.</i>			

APPROVALS (Only when prepared for director's signature)	APPROVE	* DISAPPROVE (Note reason for disapproval and return to preparer.)	COMMENT
1.			
2.			
3.			
4.			

*Ref: Log #573  
Log: Bowling  
" Robby's Sign "*

**From:** Bryan Kost  
**To:** Linda Malone  
**Date:** 3/9/2007 3:32:35 PM  
**Subject:** another log - same issue - (3rd legislator) RE: Need your help, now!!!!!!

Hi Linda:  
this has now come from Rep. Rice, too (by phone.) Third legislator to contact me. Can we please send Rep. Rice our answer too?

NOTE: this guy (Mr. Brown) is meeting with DME staff on March 20, so we may want to wait to answer.....

Bryan Kost  
DHHS Public Information  
803.898.2865  
cell- 429.3201  
kostbr@scdhhs.gov

>>> Kirk Garrett Jr <kjgimascar@prtncnet.com> 3/8/2007 9:15 PM >>>  
Adam,

No problem at all for sharing. Thank you so much for looking into this.  
Please do whatever you possibly can to help Jeff out with this.

Thanks,  
Kirk Garrett, Jr.  
[kjgimascar@prtncnet.com](mailto:kjgimascar@prtncnet.com)  
[me@kgjr.com](mailto:me@kgjr.com)  
[www.kgjr.com](http://www.kgjr.com)

-----Original Message-----  
**From:** ADAM TAYLOR [mailto:AT@SCHOUSE.ORG]  
**Sent:** Thursday, March 08, 2007 8:20 PM  
**To:** [kjgimascar@prtncnet.com](mailto:kjgimascar@prtncnet.com)  
**Subject:** Re: Need your help, now!!!!!!

Thanks for sharing. I will ask DHHS for clarification.  
Adam

>>> Kirk Garrett Jr <kjgimascar@prtncnet.com> 03/08/07 1:20 PM >>>  
This is from Jeff Brown with National Seating and Mobility out of Easley, SC. Jeff is my DME (Wheelchair and etc.) provider and repairman. Jeff is also a very close friend to me. Jeff needs real serious help now and he wanted me to send this along to you that he wrote to his local senators and house representatives. I honestly beg you to do everything that you can to please help Jeff with this huge and major issue that he faces and that is really hitting Jeff hard.

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**From:** Brown, Jeff  
**Sent:** Wednesday, March 07, 2007 9:31 PM  
**Subject:** I need your help

Thank you for your time and attention. I would like to say that I voted for you in the last election and I believe you are a man of compassion, principle and dedication.

I hope with all my heart that you are willing to help me with my problem.

The problem is a little complex but, I will do my best to shrink it down for you as best that I can.

You see, I'm a small business operator in Pickens County. We sell and service "Durable Medical Equipment", in which we specialize in providing wheelchairs, seating and positioning components, rehabilitation products, and assistive technology products primarily to children all over the state. I my self, have over 20 years of experience in evaluating, constructing, fitting, and delivering moderate to very complex medical equipment solutions to people with disabilities to improve their lives. I am well known and much respected state wide for what I do and I am very compassionate about it.

Over the last ten years I have seen Medicare, Medicaid, and Private Insurers substantially lower their reimbursement rates to us for the service-delivery of products we provide to their recipients. We have adjusted to the lower reimbursement over the years but it has been very difficult especially, since we specialize in taking care of people, mainly children, with severe physical disabilities and complex rehabilitation equipment needs. You see, these folks don't kind of need this particular type of wheelchair, seating system, standing, or walking device. I most cases they have to have a specific type or model with eclectically combined components in order to allow them to independently manage control of their physical dysfunctions. It is crucial that children with physical disabilities be allowed to obtain appropriate medical equipment because they are constantly developing and growing.

Over the last year and a half, our state Medicaid system has been updating us with the published DEMPOS fee schedule which Medicaid uses for their fee schedule allowables to pay out reimbursement to durable medical equipment suppliers. The current updated fee schedule is at an all time low with reimbursement rates. I have learned from Medicaid that "Medical Supplies" such as diabetic supplies, gauze, and syringes for example are being reimbursed at 100% of the DEMPOS/Medicaid fee schedule rate. I have also learned from Medicaid that "Durable Medical Equipment" is only being reimbursed at 90% of the DEMPOS/Medicaid fee schedule rate. This seems backwards and frankly ridiculous to me because providing supplies to people is far less labor intensive than what we do. Most supplies are shipped or dropped of to someone's door.

Those of us who provide wheelchairs, seating, and rehab equipment work under the DME classification umbrella have to go out and participate in an evaluation with the patient and their caregivers along with medical professionals such as Physical Therapist, Occupational Therapist, and in some cases Physicians themselves. During the evaluation we gather lots of medical information to accurately problem solve the person's needs and specify a specific type of product that will work for them over the long term. We also have to perform a home evaluation for wheelchairs, make sure that the equipment can be transported appropriately, make sure that the patient or caregivers can manage the equipment, and gather a Prescription, Certificate of Medical Need form from the doctor along with a detailed Letter of Medical Necessity from the Physical or Occupational Therapist.

Then, after we have tracked and gathered all these documents, we have to submit all the documents to Medicaid for prior approval in most all cases. Medicaid is taking 30-60 days to give us an approval or response for most every order. Some orders every now and then are taking a little longer to get back. So you see, I'm two to three months into this one single order and my patient/client is faithfully trusting that I will provide them with the right equipment.

When the Medicaid approval comes in we order the equipment which takes three to five weeks normally depending on where it is coming from and which Mfr. is making it. Contrary to popular belief, we don't have a magical fully stocked equipment warehouse out there somewhere just waiting on our call to express ship the whole order for us. We couldn't do that anyway due to the lower than ever allowables and associated extra cost of such a middleman. Also, we can't afford to stock it ourselves due to the diversity and number of products/components and inventory taxes. When the equipment comes in it has to be received, assembled, and set up to the patient/client measurements and specs (Tilt angle, recline angle, overall height, knee angle etc.). Sometimes the Mfr. sends us an incomplete product or the wrong size even when we fax a hard copy PO to them with all the details because they can't wait to send us an invoice. Incompatibilities have to be dealt with prior to delivery. Delivering incomplete products or substituted products is unethical and JACHO prohibited. When the product is assembled, set up, and ready we call and set up the appointment. Sometimes the PT or OT wants to be involved and that can take a couple of weeks to coordinate everyone's schedules. When a date is chosen we fit and further adjust the equipment and then we train the patient/client and caregivers on how to clean it, use it appropriately, as well as, train them on all the adjustments and features of the equipment. In a lot of cases Medicaid recipients do not have reliable transportation if any at all and therefore, we have to go to them because they can't come to us because they are poor. Our state Medicaid does not allow us to charge labor or mileage when we deliver new equipment. When the fitting and training are done we then deliver the equipment. We often have to go back with in two months to make further adjustments and provide further training and follow up.

So you see, with the DEMPOS/Medicaid fee schedule allowables at an all time low at 100%, how am I supposed to do this right for people with disabilities at 90% of the Medicaid fee schedule allowable? I feel like I'm being discriminated against by Medicaid and the government because I am classified as a "Durable Medical Equipment" or DME company for short. I think somebody in the legislature made a deal with some lobbyist to pay their supplies at 100% of the rate and we got what was left which is the shaft. When in fact, I think it is unethical for government to pay 100% of some of the published DEMPOS/Medicaid fee schedule rates and only 90% for the others. I deserve to be treated equally and fairly. I think DME should be raise to 100% of the current Medicaid fee schedule rate or supplies should be lowered to 90% immediately.

Fasten your seat belt because here is the icing on the cake. We are being charged sales tax on everything we provide!

So, if I provide a wheelchair to a Medicaid, Medicare, BCBS insurance, or Medicaid waiver patient not only do I get the lower than ever in history reimbursement rates but, I have to give away 6% more of my shrunken profit because I can not collect it from the patient or the payer. Do you think

BCBS or Medicaid is going to pay it? If a Medicaid patient could to pay 6% for a \$6000-\$20000 powered wheelchair do you think they would have Medicaid in the first place? Not so funny thing is, that if I worked for the hospital and they hired me to supply DME to a patient they would not pay tax. They are exempt. However, if the same hospital doctor issues me a prescription to provide a wheelchair to that same patient, under current SC law, I will have to pay the sales tax when I am working with the same fixed reimbursement rates from Medicare, Medicaid and Insurance as the hospital is. That is not right and grossly unfair us and is hurting our business in a major way. We are having a hard enough time with staffing ourselves appropriately to service our patients/Medicaid recipients now. You see 60-75% of our patients have Medicaid. Most all of the other businesses around the State that do what we do are over 50% with Medicaid business as well. I know because I know most all of them. We don't control what kind of funding people have. Our business is referred to us by doctors, therapist, nurses, and repeat business. Every payer out there has made cuts, BCBS, CIGNA, UHC, and Medicare to name a few. We understand that. It's just that even at 100% the Medicaid rates are low. But, 90% of the rates and 6% more of my profit due to sales tax is more than we can survive over the long run. We have to be able to service our clients and they expect that much of us. You can't even run a Wal-Mart on 25% profit. It takes 40% to make it stable. If you know anything about business at all you know that.

\* I need you to introduce a bill to raise the "Durable Medical Equipment" Medicaid fee schedule rates to 100% of the current published region C DEMPOS rate for reimbursement to all DME providers (The same as the "Supplies" are paid at) or "DME" amended to 100% of the DEMPOS fee schedule rates.

\* Also, I need the sales tax on "prescription ordered" Durable Medical Equipment abolished or amended to exclude prescription ordered "DME"

Please, me and a few others out there in SC that haven't gone out of business yet need your help in a major way. If you know anything at all about running a stable business you can see we are hurting and need relief now! This is the earning the vote part that you guys talk about when running for office.

I can be reached any time cell # is best

Jeff Brown, ATS, CRTS  
National Seating & Mobility, Inc.  
140 F. Kay Drive  
Easley, SC 29640  
Ph# 864-269-9430  
toll free# 877-924-2477  
fax# 864-269-9434  
cell# 864-567-1023

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**CC:** James Assey; Melanie Giese; Susan Bowling

# 583



*State of South Carolina*  
*Department of Health and Human Services*

Mark Sanford  
Governor

Robert M. Kerr  
Director

April 27, 2007

The Honorable Rex F. Rice  
South Carolina House of Representatives  
Blatt Office Building – Suite 418A  
Columbia, South Carolina 29211

Dear Representative Rice:

Thank you for your inquiry on behalf of Mr. Jeff Brown regarding Medicaid reimbursement for Durable Medical Equipment (DME). Program staff met with Mr. Brown and several other interested parties on March 20, 2007, to discuss the reimbursement issues outlined in his March 7<sup>th</sup> correspondence.

The Medicaid program uses the Medicare fee schedule as a basis for setting Medicaid rates for many providers. We also periodically compare our fee schedules with the Medicaid fee schedules for other southeastern states as well as the South Carolina Employee Insurance Program. Medicaid will generally pay the lower of the maximum allowable Medicaid rate or the provider's charges. Currently, the Medicaid rates for equipment are set at 90% of the 2004 Medicare fee schedule.

Mr. Brown has requested that DME providers be reimbursed up to 100% of the Medicare fee schedule. The fiscal impact of moving the entire DME fee schedule up to 100% of the 2007 Medicare fee schedule is estimated to be \$3.5 million in state funds. We recently surveyed other states regarding Medicaid reimbursement for DME. The results are outlined below.

STATE	DME & SUPPLY REIMBURSEMENT FORMULA
Georgia	Lesser of the billed charges or established fee schedule which is 80-90% of the current Medicare rate.
Florida	80% of the Medicare rate – if no Medicare rate, equipment reimbursed at 80% of the manufacturers suggested retail and supplies at net cost plus 10%. Custom wheelchairs at 87% of manufacturers suggested retail.
North Carolina	Lesser of billed charges or maximum allowable rate which is 100% of the Medicare rate. If no Medicare rate exists, providers reimbursed at net cost plus 20% or 80% of manufacturer's suggested retail, whichever is less.

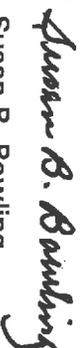
The Honorable Rex F. Rice  
April 27, 2007  
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The agency did not request additional state funds in its budget request to revise the reimbursement methodology for DME providers. However, as part of the maintenance of effort, we are planning to update the fee schedule for DME equipment and supplies effective July 1, 2007, based on the 2007 Medicare fee schedule. The projected fiscal impact of this change is \$875,000 in state funds.

Mr. Brown also expressed concern about DME providers being charged the South Carolina sales tax on prescribed supplies and equipment. As you are aware, this issue is beyond the jurisdiction of the Department of Health and Human Services.

Thank you for your support of the South Carolina Medicaid program. If you have any questions or need additional information, you may contact me directly at (803) 898-2501 or Mr. James Assey, Division Director for DME Services, at (803) 898-2875.

Sincerely,



Susan B. Bowling  
Deputy Director

SBB/ga