DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR

ACTION REFERRAL

TO	DATE
Wells	2-17-09

DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOG NUMBER 000451	[ ] Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR _____ cc: Ms. Forkner, Depo Cleared 7/31/09, letter attached.	[X] Prepare reply for appropriate signature DATE DUE 3-17-09
	[ ] FOIA DATE DUE _____
	[ ] 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.			

Log: Wells

Department of Health & Human Services
Centers for Medicare & Medicaid Services
61 Forsyth St., Suite 4T20
Atlanta, Georgia 30303-8909

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

February 11, 2009

Ms. Emma Forkner, Director
South Carolina Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

Re: Request for Additional Information, SPA 08-025

Dear Ms. Forkner:

We have reviewed the proposed State Plan Amendment (SPA) 08-025, which was submitted in order to address the reimbursement for the application of fluoride varnish in rural health centers. In order for CMS to better understand the services and reimbursement methodology proposed by the State in SC 08-025, we are submitting this Request for Additional Information (RAI). We are available to discuss any questions the State may have about the RAI.

Please provide the clarifications requested below:

1. Attachment 4.19-B, Pages 1e and 1f, Rural Health Clinics: The State has an alternative payment methodology in the State Plan, and the State must explain under the alternative payment methodology any service that is carved out including state specifically how the payment is to be made to the rural health clinics

2. Attachment 3.1-A, , Page 1a, Under Heading 2b, Rural Health Clinics: The State should remove the second paragraph that begins "Supplies and injections are not billable services…" and ends with "…not considered part of the all inclusive rate", from the 3.1-A Attachment and place that language in the description of the alternative payment methodology on pages 1e and 1f in Attachment 4.19-B.

3. Public Notice Requirements: Because the State is changing the payment methodology, it will be necessary to change the effective date of the SPA to the day following the publication of the notice as required in 42 CFR 447.205. The State has not provided proof of the public notice to CMS to date.

4. Same Page Issue: The State submitted page 1a of Attachment 3.1-A as a part of this SPA, however this same Page 1a of Attachment 3.1-A was also submitted as a part of SC 08-004 Lab and X-ray SPA which was submitted prior to the submission of SC 08-025. Because the same page is involved in both SPAs, CMS will not process SC 08-025 until SC 08-004 is processed.

Standard Funding Questions. The following questions are being asked and should be answered in relation to all payments made to all providers reimbursed pursuant to a methodology described

in Attachment 4.19-B of this SPA. For SPAs that provide for changes to payments for clinic or outpatient hospital services or for enhanced or supplemental payments to physician or other practitioners, the questions must be answered for all payments made under the state plan for such service.

1. Section 1903(a)(1) provides that Federal matching funds are only available for expenditures made by States for services under the approved State plan. Do providers receive and retain the total Medicaid expenditures claimed by the State (includes normal per diem, supplemental, enhanced payments, other) or is any portion of the payments returned to the State, local governmental entity, or any other intermediary organization? If providers are required to return any portion of payments, please provide a full description of the repayment process. Include in your response a full description of the methodology for the return of any of the payments, a complete listing of providers that return a portion of their payments, the amount or percentage of payments that are returned and the disposition and use of the funds once they are returned to the State (i.e., general fund, medical services account, etc.).

2. Section 1902(a)(2) provides that the lack of adequate funds from local sources will not result in lowering the amount, duration, scope, or quality of care and services available under the plan. Please describe how the state share of each type of Medicaid payment (normal per diem, supplemental, enhanced, other) is funded. Please describe whether the state share is from appropriations from the legislature to the Medicaid agency, through intergovernmental transfer agreements (IGTs), certified public expenditures (CPEs), provider taxes, or any other mechanism used by the state to provide state share. Note that, if the appropriation is not to the Medicaid agency, the source of the state share would necessarily be derived through either through an IGT or CPE. In this case, please identify the agency to which the funds are appropriated. Please provide an estimate of total expenditure and State share amounts for each type of Medicaid payment. If any of the non-federal share is being provided using IGTs or CPEs, please fully describe the matching arrangement including when the state agency receives the transferred amounts from the local governmental entity transferring the funds. If CPEs are used, please describe the methodology used by the state to verify that the total expenditures being certified are eligible for Federal matching funds in accordance with 42 CFR 433.51(b). For any payment funded by CPEs or IGTs, please provide the following:
   (i) a complete list of the names of entities transferring or certifying funds;
   (ii) the operational nature of the entity (state, county, city, other);
   (iii) the total amounts transferred or certified by each entity;
   (iv) clarify whether the certifying or transferring entity has general taxing authority: and,
   (v) whether the certifying or transferring entity received appropriations (identify level of appropriations).

3. Section 1902(a)(30) requires that payments for services be consistent with efficiency, economy, and quality of care. Section 1903(a)(1) provides for Federal financial participation to States for expenditures for services under an approved State plan. If supplemental or enhanced payments are made, please provide the total amount for each type of supplemental or enhanced payment made to each provider type.

4. For clinic or outpatient hospital services please provide a detailed description of the methodology used by the state to estimate the upper payment limit (UPL) for each class of providers (State owned or operated, non-state government owned or operated, and privately owned or operated). Please provide a current (i.e., applicable to the current rate year) UPL demonstration.

5. Does any governmental provider receive payments that in the aggregate (normal per diem, supplemental, enhanced, other) exceed their reasonable costs of providing services? If payments exceed the cost of services, do you recoup the excess and return the Federal share of the excess to CMS on the quarterly expenditure report?

If you have any questions related to this request for additional information, please contact Philip Bailey on financial issues or Tandra Hodges on programmatic issues. Mr. Bailey can be reached at 615-255-9305 and Ms. Hodges can be reached at 404-562-7409. This written request for additional information stops the 90-day clock for the approval process on this SPA, which would have expired on February 17, 2009. While we are committed to working with the Medicaid Agency to meet the ultimate goal of having a clear and complete State Plan in compliance with Federal requirements, we request that you provide a formal response to this request for additional information no later than 90 days from the date of this letter. If you do not provide us with a formal response by that date, we will conclude that the State has not established that the proposed SPA is consistent with all statutory and regulatory requirements. Accordingly, at that time, we will initiate disapproval action on the amendment. In addition, because this SPA was submitted after January 2, 2001, and is effective on or after January 1, 2001, please be advised that we will defer any FFP that you claim for payments made in accordance with this proposed SPA until it is approved. Upon CMS approval, FFP will be available for the period beginning with the effective date through the date of actual approval.

Sincerely,

Mary Kaye Justis, RN, MBA
Acting Associate Regional Administrator
Division of Medicaid and Children's Health Operations

Log 451

State of South Carolina
Department of Health and Human Services

Mark Sanford
Governor

Emma Forkner
Director

July 31, 2009

Ms. Mary Kaye Justis, RN,MBA
Acting Associate Regional Administrator
Division of Medicaid and Children's Health Operations
Centers for Medicare and Medicaid Services
61 Forsyth St., Suite 4T20
Atlanta, Georgia 30303-8909

RE: South Carolina Title XIX State Plan Amendment SC 08-025 Request for Additional Information (RAI)

Dear Ms. Justis:

This is in response to the subject Request for Additional Information dated February 11, 2009 relating to SC 08-025.

CMS Question #1 - Attachment 4.19-B, Pages 1e, and 1f, Rural Health Clinics:
The State has an alternative payment methodology in the State Plan, and the State must explain under the alternative payment methodology any service that is carved out, including state specifically how the payment is to be made to the rural health clinics.

SCDHHS Response:
The SCDHHS has adjusted the reimbursement language in question. Please see the enclosed pages 1e of Attachment 4.19-B.

CMS Question #2 - Attachment 3.1-A, Page 1a,, Under Heading 2b, Rural Health Clinics:
The State should remove the second paragraph that begins "Supplies and injections are not billable services..." and ends with "... not considered part of the all inclusive rate", from the 3.1-A Attachment and place that language in the description of the alternative payment methodology on pages 1e and 1f in Attachment 4.19-B.

SCDHHS Response:
SCDHHS has adjusted the methodology accordingly. Please see the enclosed page 1a of Attachment 3.1-A and page 1e of Attachment 4.19-B.

CMS Question #3 – Public Notice Requirements:
Because the State is changing the payment methodology, it will be necessary to change the effective date of the SPA to the day following the publication of the notice as required in 43 CFR 447.205. The State has not provided proof of the public notice to CMS to date.

Office of the Director
P.O. Box 8206 • Columbia, South Carolina 29202-8206
(803) 898-2504 • Fax (803) 255-8235

SCDHHS Response:
The effective date of SC 08-025 is now April 1, 2009. A copy of the published public notice is enclosed for your review.

In regards to the CMS funding questions, we are providing the following information:

CMS Funding Question #1:
Section 1903(a)(1) provides that Federal matching funds are only available for expenditures made by States for services under the approved State plan. Do providers receive and retain the total Medicaid expenditures claimed by the State (includes normal per diem, supplemental, enhanced payments, other) or is any portion of the payments returned to the State, local governmental entity, or any other intermediary organization? If providers are required to return any portion of payments, please provide a full description of the repayment process. Include in your response a full description of the methodology for the return of any of the payments, a complete listing of providers that return a portion of their payments, the amount or percentage of payments that are returned and the disposition and use of the funds once they are returned to the State (i.e., general fund, medical services account, etc.)

SCDHHS Response:
Under SC 08-025, providers of services under this plan retain 100% of the Medicaid payments that will be reimbursed under this state plan amendment effective April 1, 2009.

CMS Funding Question #2:
Section 1902(a)(2) provides that the lack of adequate funds from local sources will not result in lowering the amount, duration, scope, or quality of care and services available under the plan. Please describe how the state share of each type of Medicaid payment (normal per diem, supplemental, enhanced, other) is funded. Please describe whether the state share is from appropriations from the legislature to the Medicaid agency, through intergovernmental transfer agreements (IGTs), certified public expenditures (CPEs), provider taxes, or any other mechanism used by the state to provide state share. Note that, if the appropriation is not to the Medicaid agency, the source of the state share would necessarily be derived through either an IGT or CPE. In this case, please identify the agency to which the funds are appropriated. Please provide an estimate of total expenditure and State share amounts for each type of Medicaid payment. If any of the non-federal share is being provided using IGTs or CPEs, please fully describe the matching arrangement including when the state agency receives the transferred amounts from the local government entity transferring the funds. If CPEs are used, please describe the methodology used by the state to verify that the total expenditures being certified are eligible for Federal matching funds in accordance with 42 CFR 433.51(b). For any payment funded by CPEs or IGTs, please provide the following:

(i) a complete list of the names of entities transferring or certifying funds;
(ii) the operational nature of the entity (state, county, city, other);
(iii) the total amounts transferred or certified by each entity;
(iv) clarify whether the certifying or transferring entity has general taxing authority; and,
(v) whether the certifying or transferring entity received appropriations (identify level of appropriations).

SCDHHS Response:

Rural Health Clinic (RHC) All Inclusive Encounter Rates and Fee for Service Payments for Services Outside of the All Inclusive Encounter Rate	State Appropriations to the Medicaid Agency

A schedule detailing an estimate of total expenditures and state share amounts for each type of Medicaid payment under SC 08-025 is enclosed.

CMS Funding Question #3:
Section 1902(a)(30) requires that payments for services be consistent with efficiency, economy, and quality of care. Section 1903(a)(1) provides for Federal financial participation to States for expenditures for services under an approved State plan. If supplemental or enhanced payments are made, please provide the total amount for each type of supplemental or enhanced payment made to each provider type.

SCDHHS Response:
There are no enhanced or supplemental (i.e. retrospective cost settlement) payments made to private or governmental RHC providers under this plan amendment.

CMS Funding Question #4:
For clinic or outpatient hospital services, please provide a detailed description of the methodology used by the state to estimate the upper payment limit (UPL) for each class of providers (State owned or operated, non-state government owned or operated, and privately owned or operated). Please provide a current (i.e. applicable to the current rate year) UPL demonstration.

SCDHHS Response:
Not applicable.

CMS Funding Question #5:
Does any governmental provider receive payments that in the aggregate (normal per diem, supplemental, enhanced, other) exceed their reasonable costs of providing services? If payments exceed the cost of services, do you recoup the excess and return the Federal share of the excess to CMS on the quarterly expenditure report?

SCDHHS Response:
Due to the use of the Medicare RHC encounter rates and the use of the Medicaid fee schedule rates that are based, on the most part, on a percentage of the Medicare fee schedules for those services that are not reflected within the Medicaid RHC encounter rate, it is anticipated that the payments received by private and governmental RHC providers would not exceed the reasonable costs of providing the services.

In relation to the coverage and reimbursement pages that include sections related to this state plan amendment, the state is in compliance with the terms of the American Recovery and Reinvestment Act (ARRA) concerning:

1. Maintenance of Effort;
2. State or local match;
3. Prompt payment;
4. Rainy day funds; and
5. Eligible expenditures (e.g. no DSH or other enhanced match payments).

We look forward to approval of SC 08-026. If you should have any questions, please contact Mr. Jeff Saxon, Bureau of Reimbursement Methodology and Policy at (803) 898-1023.

Sincerely,

Emma Forkner
Director

EF/wsw
Enclosures