

Medicaid Benefits and Health Programs Group

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November 21, 2023

Robert M. Kerr  
Director  
South Carolina Department of Health and Human Resources  
P.O. Box 8206  
Columbia, SC 29202-8206

Dear Director Kerr:

We are pleased to inform you that South Carolina's federal fiscal year 2024 quarter 1 spending plan and narrative continue to meet the requirements set forth in the May 13, 2021, Centers for Medicare & Medicaid Services (CMS) State Medicaid Director Letter (SMDL) # [21-003](#) and SMDL # [22-002](#). South Carolina reported in its federal fiscal year 2024 quarter 1 spending plan that the state has spent an amount of state funds on approved activities to enhance, expand, or strengthen home and community-based services (HCBS) ("state equivalent funds") that equals or exceeds the amount attributable to the increased federal medical assistance percentage (FMAP) under American Rescue Plan Act of 2021 (ARP) section 9817 that the state has claimed (or expects to claim if the state reasonably anticipates additional claiming and the two-year timely filing period for claiming the increased FMAP has not concluded). South Carolina can begin to initiate the closeout process as described in the attached *Helpful Tips When Closing Out of Federal Requirements under American Rescue Plan Act of 2021 (ARP) Section 9817*.

Please note that the state must continue to comply with the ARP section 9817 maintenance of effort (MOE) and reporting requirements as described in SMDL #21-003 and SMDL #22-002 until the state has submitted the final close-out documents and CMS has sent the state a close-out letter to notify the state that the MOE and reporting requirements have been lifted. The final close-out documents include the final HCBS spending plan and spending narrative and an attestation signed by the state Medicaid director that the state equivalent funds are fully expended. Full approval of the spending plan and narrative is conditioned upon the state's continued compliance with program requirements as stated in SMDL # 21-003 and SMDL # 22-002. These requirements are in effect as of April 1, 2021, and continue until the state has fully expended the funds attributable to the increased FMAP.

It is important to note that CMS approval of the spending plan and narrative solely addresses the state's compliance with the applicable requirements set forth under section 9817 and fulfillment of the requirements as stated in SMDL # 21-003 and SMDL # 22-002. This spending plan approval does not constitute approval for purposes of claiming federal financial participation (FFP). Approval of any activity in your state's spending plan does not provide approval to claim FFP for any expenditures that are not eligible for FFP. States must continue to comply with all existing federal requirements for allowable claims, including documenting expenditures and draws to ensure a clear audit trail for the use of federal funds reported on the Form CMS-37

Medicaid Program Budget Report and the Form CMS-64, Quarterly Medicaid Statement of Expenditures.

States should follow the applicable rules and processes for section 1915(c) waivers, other Medicaid HCBS authorities, including state plan amendments and section 1115 demonstrations, and other managed care authorities (as applicable), if they are making changes to an HCBS program and intend to use state funds equivalent to the funds attributable to the increased FMAP to pay the state share of the costs associated with those changes. CMS is available to provide continued technical assistance to states when implementing changes to HCBS programs under this provision. Furthermore, states should follow the applicable rules and processes for claiming FFP for Medicaid administrative costs, including, if necessary, updating the state's Public Assistance Cost Allocation Plan to reference methodologies, claiming mechanisms, interagency agreements, and other relevant issues that will be used when claiming and appropriately allocating costs.

### **Information Related to the State's Final Spending Plan and Narrative Submission**

South Carolina's final HCBS spending plan and spending narrative should be submitted no later than 60 days after the receipt of this letter. Please refer to the *Helpful Tips When Closing Out of Federal Requirements under American Rescue Plan Act of 2021 (ARP) Section 9817* for more information on the close-out process.

The following amounts should be identified in the final HCBS spending plan:

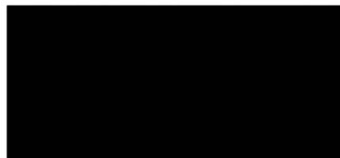
- Total amount attributable to the temporary 10 percentage point increase to the FMAP for certain HCBS that was claimed by the state (or that the state expects to claim if the state reasonably anticipates additional claiming and the two-year timely filing period for claiming the increased FMAP has not concluded). This amount should include the amount attributable to the increased FMAP for any activities in the state's HCBS spending plan that are eligible for the increased FMAP. The amounts represented should equal the amount claimed (or projected to be claimed) on the Form CMS 64 ARP 9817 HCBS, Column N;
- Amount of the state equivalent funds spent on Medicaid covered services eligible for FFP in the state's HCBS spending plan, as well as the federal share for those activities;
- Amount of the state equivalent funds spent on activities eligible for Medicaid administrative match, as well as the federal share for those activities;
- Amount of the state equivalent funds spent on activities matched at the 90 percent FFP rate for the design, development, or installation of, or enhancement to, mechanized claims processing and information retrieval systems, or at the 75 percent FFP rate for operations of such systems, as well as the federal share for those activities; and
- Amount of the state equivalent funds spent on activities not eligible for FFP. These expenditures generally include payment for state grant-related activities, capital investment activities, and services not coverable under the Medicaid program but that were approved in the state's HCBS spending plan.

The final HCBS spending narrative should include a description of the approved activities that the state implemented, including the following:

- Any strategies the state intends to implement to sustain the state’s activities to enhance, expand, or strengthen HCBS under the Medicaid program;
- The state’s progress in implementing its planned activities to enhance, expand, or strengthen HCBS, including any implementation challenges and lessons learned; and
- Processes to support ongoing monitoring and auditing of the use of the state equivalent funds when the entity designated to spend the state equivalent funds will complete the approved activity after the closure of the state’s HCBS spending plan.

We look forward to working with you throughout the close-out process for ARP section 9817. Programmatic and financial questions and spending plan and narrative questions for section 9817 of the ARP can be submitted to [HCBSincreasedFMAP@cms.hhs.gov](mailto:HCBSincreasedFMAP@cms.hhs.gov).

Sincerely,



Jennifer Bowdoin  
Director, Division of Community Systems Transformation

cc: Margaret Alewine  
Eunice Medina  
Janelle Smith