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State/Territory Name: South Carolina

State Plan Amendment (SPA) #: 23-0011

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S3-14-28
Baltimore, Maryland 21244-1850



Financial Management Group

September 22, 2023

Robert M. Kerr
Director, Department of Health & Human Services
Post Office Box 8206
1801 Main Street
Columbia, SC 29202-8206

Reference: State Plan Amendment (SPA) SC-23-0011

Dear Director Kerr:

We have reviewed the proposed amendment to Attachments 4.19-A of your Medicaid State Plan submitted under transmittal number (TN) 23-0011. This amendment establishes reimbursement methodology for technical component/facility charges for Pediatric Inpatient Rehabilitation, setting an all-inclusive per diem reimbursement rate of \$1,200 for pediatric inpatient rehabilitation units or facilities for private or state-owned governmental providers.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a), and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C.

This is to inform you that Medicaid State plan amendment SC-23-0011 is approved effective July 1, 2023. The CMS-179 and the plan pages are attached.

If you have any additional questions or need further assistance, please contact James Francis at james.francis@cms.hhs.gov.

Sincerely,



Rory Howe
Director

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES	1. TRANSMITTAL NUMBER <u>2 3</u> — <u>0 0 1 1</u>	2. STATE <u>S C</u>
	3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT <input checked="" type="radio"/> XIX <input type="radio"/> XXI	
TO: CENTER DIRECTOR CENTERS FOR MEDICAID & CHIP SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES	4. PROPOSED EFFECTIVE DATE <p style="text-align:center;">July 1, 2023</p>	
5. FEDERAL STATUTE/REGULATION CITATION 42 CFR 440.10	6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars) a. FFY <u>2023</u> \$ <u>52,000</u> b. FFY <u>2024</u> \$ <u>204,000</u>	
7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT Attachment 4.19-A, pages 1, 4, 10, 18	8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable) Attachment 4.19-A, pages 1, 4, 10, 18	

9. SUBJECT OF AMENDMENT

This SPA will establish reimbursement methodology for technical component/ facility charges for Pediatric Inpatient Rehabilitation

10. GOVERNOR'S REVIEW (Check One)

<input type="radio"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input type="radio"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="radio"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL	<input checked="" type="radio"/> OTHER, AS SPECIFIED: Mr. Kerr was designated by the Governor to review and approve all State Plans.
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11. SIGNATURE OF STATE AGENCY OFFICIAL 	15. RETURN TO South Carolina Department of Health and Human Services Post Office Box 8206 Columbia, SC 29202-8206
12. TYPED NAME Robert M. Kerr	
13. TITLE Director	
14. DATE SUBMITTED July 10, 2023	

FOR CMS USE ONLY

16. DATE RECEIVED July 17, 2023	17. DATE APPROVED September 22, 2023
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PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL July 1, 2023	19. SIGNATURE OF APPROVING OFFICIAL
20. TYPED NAME OF APPROVING OFFICIAL Rory Howe	21. TITLE OF APPROVING OFFICIAL Director, Financial Management Group

22. REMARKS

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

STATE OF SOUTH CAROLINA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -
INPATIENT HOSPITAL AND PSYCHIATRIC RESIDENTIAL TREATMENT FACILITY CARE

I. General Provisions

A. Purpose

This plan establishes:

1. a retrospective reimbursement system for qualifying South Carolina rural acute care hospitals and qualifying burn intensive care unit hospitals as defined in the plan.
2. a prospective reimbursement system for all other acute and non-acute care hospitals providing inpatient hospital services including all long-term psychiatric hospitals.
3. a prospective payment reimbursement system for private and governmental psychiatric residential treatment facilities.
4. An all-inclusive per diem reimbursement system for pediatric inpatient rehabilitation units or facilities.

It describes principles to be followed by Title XIX inpatient hospital and psychiatric residential treatment providers and presents the necessary procedures for setting rates, making adjustments, calculating retrospective cost settlements for qualifying acute care hospitals, auditing cost reports and managing the hospital disproportionate share (DSH) program.

B. Objectives

Effective October 1, 1997, the Balanced Budget Act (BBA) of 1997 repeals the OBRA 1981 requirement. In its place, the BBA of 1997 provides for a public process for determination of hospital payment rates. This public process will take place for all changes in payment for inpatient hospital and disproportionate share.

Inpatient hospital reimbursement shall be made in accordance with the upper payment limit requirements of Section 447.272.

C. Overview of Reimbursement Principles

1. The South Carolina Medicaid Program will reimburse qualified providers for inpatient institutional services using one or more of the following methods effective for discharges occurring on or after October 1, 2015:
 - a. Prospective payment rates will be reimbursed to contracting out-of-state acute care hospitals with SC Medicaid fee for service inpatient claim utilization of less than 200 SC Medicaid fee for service claims during its HFY 2011 cost reporting period via a statewide per discharge rate.
 - b. Prospective payment rates will be reimbursed to free standing short term psychiatric hospitals that contract with the SC Medicaid Program for the first time or reenter the SC Medicaid Program effective on or after July 1, 2014 via a statewide free standing short term psychiatric hospital statewide average rate (see page 16, section 1.e.).

14. Effective for dates of service on or after July 1, 2023, qualifying inpatient rehabilitation units or facilities will receive payment for pediatric inpatient rehabilitation services based on an all-inclusive per-diem methodology for facility charges. Professional services will be reimbursed separately.

II. Definitions Applicable to Inpatient Hospital and Residential Treatment Facility Reimbursement

The following definitions will help in understanding the payment rates set for inpatient hospital and residential treatment facility services:

1. Administrative Days - The days of service provided to recipients who no longer require acute hospital care, but are in need of nursing home placement that is not available at the time. The patient must meet either intermediate or skilled level of care criteria.
2. Arithmetic Mean (average) - The product of dividing a sum by the number of its observations.
3. Audit Adjustment Factor - An adjustment factor used in the hospital specific Medicaid inpatient hospital rate setting process based upon the results of the HFY 2010 final audit report issued by the SC Medicaid audit contractor.
4. Base Year - The fiscal year used for calculation of payment rates. For the hospital specific inpatient payment rates effective on and after November 1, 2012, the base year shall be each facility's 2011 fiscal year. For the freestanding governmental long-term psychiatric hospital rates, the base year shall be each facility's 2010 (state owned governmental) or 2011 (non-state owned governmental) fiscal year. Effective for services incurred on or after November 1, 2013, the base year used to calculate each freestanding governmental long-term psychiatric hospital rate will be each facility's 2012 fiscal year cost report.
5. Burn Intensive Care Unit Cost Settlement Criteria - In order to qualify for this cost settlement a hospital must satisfy all of the following criteria. A hospital must:
 - Be located in South Carolina or within 25 miles of the South Carolina border;
 - Have a current contract with the South Carolina Medicaid Program; and
 - Have at least 25 beds in its burn intensive care unit.
6. Calibration Adjustment - An adjustment that is used in the Medicaid inpatient hospital rate setting process that takes into account changes in hospital specific cost and hospital case mix and has the effect of increasing or decreasing hospital specific per discharge rates. This factor is also referred to as a "Rate Adjustment Factor".
7. Capital - Cost associated with the capital costs of the facility. Capital costs include, but are not limited to, depreciation, interest, property taxes, property insurance, and directly assigned departmental capital lease costs. In no case shall the capital amount include amounts reflecting revaluation of assets due to change of ownership or leasing arrangement subsequent to September 1, 1984.
8. Case-Mix Index - A relative measure of resource utilization at a hospital.
9. Complex Care Services - Those services rendered to patients that meet the South Carolina level of care criteria for long term care and have multiple needs (i.e. two or more) which fall within the highest ranges of disabilities in the criteria.
10. Cost - Total SC Medicaid allowable costs of inpatient services, unless otherwise specified.

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SUPERCEDES: SC 13-023

37. Special Care Unit - A unit as defined in 42 CFR 413.53 (d).
38. Standard Deviation - The square root of the sum of the squares of the deviation from the mean in a frequency distribution.
39. Teaching Hospital - A licensed certified hospital currently operating an approved intern and resident teaching program or a licensed certified hospital currently operating an approved nursing or allied health education program.

III. Services Included in the Hybrid Payment System

1. Acute Care Hospitals

The DRG payment system rates will include all services provided in an acute inpatient setting except:

- a. Professional component, including physician and CRNA services and any other professional fees excluded under Part A Medicare.
- b. Ambulance, including neonatal intensive care transport.

2. Psychiatric Residential Treatment Facilities

The per diem reimbursement rate will be determined in accordance with section V.B. of Attachment 4.19-A.

3. Pediatric Inpatient Rehabilitation Units or Facilities

The per diem reimbursement rate will be determined in accordance with section V.C. of Attachment 4.19-A.

IV. Data Sources and Preparation of Data for Computation of DRG Payment System Rates

Computation of the October 1, 2015 DRG payment system rates under this plan will require the collection and preparation of the following data elements: per discharge DRG list including relative weights, Medicaid inpatient cost to charge ratios adjusted for April 8, 2011 and July 11, 2011 reimbursement changes, July 1, 2012 through June 30, 2013 incurred inpatient hospital claims, October 1, 2014 inpatient hospital rates adjusted by the October 1, 2015 normalization adjustment, hospital specific add-ons, case mix index, and an upcode adjustment factor.

A description of the source documents for the required data elements and the steps necessary for preparing the data for the rate computation described in Section V of this plan is presented in the following subsections.

A. Per Discharge DRG List

The DRG payment system will establish payment based upon a hospital specific and/or statewide average per discharge rate. Effective for discharges incurred on or after October 1, 2015, the Medicaid Agency will determine inpatient hospital claim payments based upon the DRG listing contained within version 32 of the APR-DRG grouper. Hospitals eligible to receive a hospital specific per discharge rate will include all SC general acute care hospitals, burn intensive care unit hospitals, and out of state border hospitals with SC Medicaid inpatient utilization of at least 200 inpatient claims during its HFY 2011 cost reporting period. Additionally, SC free standing short term psychiatric hospitals and SC long term acute care hospitals, with a minimum SC Medicaid inpatient utilization of at least 10 incurred claims during October 1, 2011 through August 31, 2012, will also receive a hospital specific per discharge rate. All other contracting/enrolled hospitals (i.e. out of state general acute care, new SC general acute care hospitals coming on line after 2011, and all other short term psychiatric and long term acute care hospitals) will receive the appropriate statewide average rate for that type of hospital. The statewide average rate will exclude DME and IME costs.

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EFFECTIVE DATE: 07/01/23

APPROVAL DATE: September 22, 2023

SUPECEDES: SC 21-0012

B. Psychiatric Residential Treatment Facility

Effective for services provided on and after October 1, 2021, a per diem rate will be calculated for each contracting psychiatric residential treatment facility (PRTF) based upon each PRTF's fiscal year end 2019 base year cost and statistical data as reported on the CMS 2552 cost report trended forward to the payment period beginning October 1, 2021 using the midpoint to midpoint trending methodology. Allowable Medicaid reimbursable costs will be determined in accordance with the Provider Reimbursement Manual PRM-15-1 and 42 CFR Part 413. The per diem rate will cover all core PRTF services (including all psychiatric related services that normally would be rendered in an outpatient setting such as in Community Mental Health Clinics or Rehabilitative Behavioral Health Service providers) and room and board costs. All other ancillary costs (including medical ancillary services and psychiatric drugs) will be carved out of the per diem rate and the billing for the ancillary services will become the responsibility of the ancillary provider. No occupancy adjustment will be applied if the base year occupancy rate is less than the statewide average occupancy rate.

The above payment methodology applies to private, non-state owned governmental, and state owned governmental PRTF providers. PRTFs entering the SC Medicaid program on and after October 1, 2021 will receive the statewide average SC Medicaid PRTF rate.

Due to uncontrollable market forces surrounding the South Carolina Medicaid PRTF Program, the Medicaid Agency has reviewed market rates being paid to PRTF providers that contract with the SC Medicaid Program. As a result of our review, effective for services incurred on and after April 1, 2022, the Medicaid Agency will reimburse all contracting privately owned and non-state owned governmental PRTF providers \$500 per day.

C. Pediatric Inpatient Rehabilitation Units or Facilities

Effective for services provided on or after July 1, 2023, SCDHHS will reimburse the pediatric inpatient rehabilitation units or facilities a per diem rate in the amount of \$1,200. The per diem rate is an all-inclusive and will cover all facility charges, room and board costs, equipment, supplies, drugs, all necessary services and activities rendered during the patient stay. Charges for the professional services of the physician or therapy providers are not included in the rate. The per diem rate is the same for private or state-owned governmental providers qualified to furnish these services.