# Table of Contents

**State/Territory Name: South Carolina**

**State Plan Amendment (SPA) #: 17-0013**

This file contains the following documents in the order listed:

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, MD 21244-1850

**Financial Management Group**

**March 8, 2018**

Mr. Joshua D. Baker
Director
Department of Health and Human Services
P.O. Box 8206
Columbia, South Carolina 29202-8206

RE: State Plan Amendment SC 17-0013

Dear Mr. Baker:

We have reviewed the proposed amendment to Attachment 4.19-D of your Medicaid state plan submitted under transmittal number (TN) 17-013. Effective July 1, 2017 this amendment modifies the State's reimbursement methodology for setting payment rates for Intermediate Care Facilities/Individuals with Intellectually Disabilities (ICF/IIDs). Specifically, this amendment will update the payment rates based on the cost reports for fiscal years ending in 2012 plus a trend factor to the mid-point of the rate year ending in 2018 and an adjustment to the rate for a wage increase.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a), 1902(a)(13), 1902(a)(30), and 1903(a) of the Social Security Act and the implementing Federal regulations at 42 CFR Part 447. We have found that the proposed changes in payment methodology comply with applicable requirements and therefore have approved them with an effective date of July 1, 2017. We are enclosing the CMS-179 and the amended approved plan pages.

If you have any questions, please call Stanley Fields at (502) 223-5332.

Sincerely,

//s//

Kristin Fan
Director

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

# TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

**FOR: HEALTH CARE FINANCING ADMINISTRATION**

1. TRANSMITTAL NUMBER: 17-0013

2. STATE: South Carolina

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
July 1, 2017

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR Subpart C

7. FEDERAL BUDGET IMPACT:
a. FFY 2017 $ 879 million (($4.93 million * .7130) * 3/12)
b. FFY 2018 $ 3.53 million ($4.93 million * .7158)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-D, page 23, 23a

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:

Attachment 4.19-D, page 23, 23a

10. SUBJECT OF AMENDMENT:
Rebasing of ICF/IID Medicaid rates effective July 1, 2017

11. GOVERNOR'S REVIEW *(Check One)*:
☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☒ OTHER, AS SPECIFIED:
Ms. Singleton was designated by the Governor to review and approve all State Plans

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:
Deirdra T. Singleton

14. TITLE:
Acting Director

15. DATE SUBMITTED:
September 21, 2017

16. RETURN TO:

South Carolina Department of Health and Human Services
Post Office Box 8206
Columbia, SC 29202-8206

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED: 09/21/17

18. DATE APPROVED: 03/08/18

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
07/01/17

20. SIGNATURE OF REGIONAL OFFICIAL:
//s//

21. TYPED NAME: Kristin Fan

22. TITLE: Director, FMG

23. REMARKS: Approved with the following changes to block #7 as authorized by state agency.

Block # 7 changed to read: FFY 2017 $1,900,000 and FF& 2018 $7,800,000.

This report will be due within ninety (90) days after the end of the period of operation. Once new ownership or the prior owner begins operation of the facility, reimbursement will be determined as previously described for a new owner under paragraph E (2).

F. Payment for State Government Nursing Facilities and Institutions for Mental Diseases

Effective October 1, 2016, each state owned nursing facility owned and/or operated by the SC Department of Mental Health will receive a prospective payment rate based upon each facility's fiscal year 2015 cost report. Allowable cost will be defined in accordance with the Provider Reimbursement Manual HIM-15. Allowable costs will include all physician costs except for those physician costs that relate to the provision of professional services. The total allowable Medicaid reimbursable costs of each nursing facility will be divided by the total number of actual patient days served during the cost reporting period to determine the base year Medicaid per diem cost. In order to trend the base Medicaid per diem cost to the payment period, the agency will employ the use of a midpoint to midpoint trend factor of 5.936% based upon the fourth quarter 2015 Global Insight Indexes 2010 Based used for the CMS Skilled Nursing Facility Market Basket Updates.

The Medicaid Agency will not pay more than the provider's customary charge except governmental facilities that provide services free or at a nominal charge. Reimbursement to governmental facilities will be limited in accordance with 42 CFR §447.271 (b).

G. Payment Determination for ICF/IID's

1. All ICF/IID's shall apply the cost finding methods specified under 42 CFR 413.24(d) to its allowable costs for the cost reporting year under the South Carolina State Plan. ICF/IID facilities will not be subject to the allowable cost definitions R (A) through R (K) as defined in the plan.

2. All State owned/operated ICF/IID's are required to report costs on the Medicare Cost Reporting Form 2552. For cost reporting periods beginning on or after July 1, 1986, all other ICF/IID's which are not operated by the State (S.C. Department of Disabilities and Special Needs) will file annual financial and statistical report forms supplied by the Medicaid Agency. All cost reports must be filed with the Medicaid Agency within one hundred twenty (120) days from close of each fiscal year.

Effective July 1, 2017, all ICF/IID facilities will receive a statewide prospective payment rate (institutional rate or community rate) based upon the methodology described below using each facility's fiscal year 2012 cost report. Items of expense incurred by the ICF/IID facility in providing care are allowable costs for inclusion in the facility's cost report. These allowable costs are defined as items of expense which the provider may incur in meeting the definition of intermediate care or any expenses incurred in complying with state licensing or federal certification

requirements. Allowable cost will be defined in accordance with the Provider Reimbursement Manual HIM-15.

To determine the July 1, 2017 baseline ICF/IID per diem rate, the total allowable Medicaid reimbursable costs of each ICF/IID will be divided by the total number of actual patient days served during the cost reporting period to determine the base year Medicaid per diem cost. In order to trend the base year Medicaid per diem cost to the payment period, the agency will employ the use of the midpoint to midpoint methodology and the use of the third quarter 2016 Global Insight Indexes - 2010 Based CMS Skilled Nursing Home Market Basket Index.

In addition to the July 1, 2017 baseline per diem rate calculation reflected above, the Medicaid Agency will provide for an add-on to each ICF/IID rate to account for the legislatively imposed direct care worker wage increase as mandated by the South Carolina General Assembly during the July 1, 2017 through June 30, 2018 state appropriations process. The add-on rate will be determined based upon a $.89 increase in the hourly wage rate as well as the application of a twenty-one percent (21%) fringe benefit factor which takes into account the employer's share of FICA (7.65%) and the SC Retirement System contribution (13.56%). Full time direct care worker equivalents (FTEs) will be derived from SFY 2017 payroll surveys and will be increased by ten percent (10%) to take into account vacancy factors and anticipated overtime costs. The annual number of hours worked by each FTE will equal 2,080 hours. The July 1, 2017 direct care worker wage increase cost will then be divided by state fiscal year 2017 total patient days to determine the July 1, 2017 direct care worker wage increase add-on amount.

In order to determine the statewide per diem ICF/IID rates (institutional rate or community rate) effective July 1, 2017, the Medicaid Agency will employ the following process:

(1) First, the ICF/IIDs are separated by class (institutional or community). The July 1, 2017 baseline rate of each ICF/IID within each class is multiplied by the number of incurred SFY 2016 Medicaid patient days obtained via MMIS to determine the annual projected Medicaid cost of each ICF/IID for Medicaid rate setting purposes.

(2) Next, in order to determine a weighted average statewide baseline rate for each class of ICF/IID facility (community and institutional), the aggregate Medicaid cost as determined in step (1) for each class is divided by the sum of the incurred SFY 2016 Medicaid patient days for each class to determine the statewide weighted average for each class.

(3) Finally, the weighted average statewide baseline rate as determined in step (2) for community and institutional ICF/IID's is increased by the amount of the weighted average statewide direct care worker add-on determined for each class of ICF/IID (community and institutional) to determine the rates effective July 1, 2017.