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State/Territory Name: South Carolina

State Plan Amendment (SPA) #: 22-0002

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

November 10, 2022

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-22-0002

Dear Mr. Kerr:

We have reviewed the proposed amendment to Attachment 4.19-D of your Medicaid State Plan submitted under transmittal number (TN) 22-0002. This amendment updates Medicaid prospective payment rates for Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) using the most recent cost report data available, includes an updated trend factor, and adds the final phase of a legislatively imposed Direct Care Worker (DCW) and Full-time Direct Care Worker Equivalent (FTE) add-on relating to direct care worker salary increases.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1903(a) 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-22-0002 is approved, effective January 1, 2022. The CMS-179 and the plan pages are attached.

If you have any additional questions or need further assistance, please contact James Francis at 857-357-6378 or 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 2 2 0 0 0 2 2. STATE SC

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT XIX XXI

4. PROPOSED EFFECTIVE DATE
January 1, 2022

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2022 \$ 6,208,312
b. FFY 2023 \$ 8,277,750

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)
Attachment 4.19-D pages, 23, 23a

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR Subpart C (Part 447.250)

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 4.19-D pages, 23, 23a

9. SUBJECT OF AMENDMENT
This SPA will update ICF/IID rates eff. Jan. 1, 2022 using the most recent cost report info, available and updated trend factor.

10. 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, ASSPECIFIED:

11. S.G. USE OF STATE AGENCY OFFICIAL
[Redacted]
12. TYPED NAME
Robert M. Kerr
13. TITLE
Director
14. DATE SUBMITTED
March 11, 2022

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

FOR CMS USE ONLY

16. DATE RECEIVED
March 18, 2022

17. DATE APPROVED
November 10, 2022

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
January 1, 2022

19. SIGNATURE OF APPROVING OFFICIAL
[Redacted]

20. TYPED NAME OF APPROVING OFFICIAL
Rory Howe

21. TITLE OF APPROVING OFFICIAL
Director, Financial Management Group

22. REMARKS

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, 2021, 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 2020 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 5.092% based upon the Third quarter 2020 Global Insight Indexes 2014 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 January 1, 2022, 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 2019 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 January 1, 2022 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 2021 Global Insight Indexes - 2018 Based CMS Skilled Nursing Home Market Basket Index.

In addition to the January 1, 2022 baseline per diem rate calculation reflected above, the Medicaid Agency will also include a Direct Care Worker (DCW) add-on for 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, 2019 through June 30, 2020 state appropriations process. The DCW add-on to the January 1, 2022 baseline rate will be determined based upon a \$1.00 increase in the hourly wage rate as well as the application of a twenty-five.twenty-one percent (25.21%) fringe benefit factor which takes into account the employer's share of FICA (7.65%), the SC Retirement System contribution (14.56%), and worker's compensation expense (3.0%). Full time direct care worker equivalents (FTEs) will be derived from SFY 2019 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 January 1, 2022 direct care worker add-on will be determined for each class of ICF/IID facility (i.e. institutional or community) by taking the aggregate amount of the projected direct care worker cost determined for each class and dividing that amount by the aggregate number of SFY 2019 total patient days incurred by each class.

In order to determine the statewide per diem ICF/IID rates (institutional rate or community rate) effective January 1, 2022, the Medicaid Agency will employ the following process:

- (1) First, the ICF/IIDs are separated by class (institutional or community). The January 1, 2022 baseline rate (including the Direct Care Worker Add-on) of each ICF/IID within each class is multiplied by the number of incurred SFY 2019 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 2019 Medicaid patient days for each class to determine the statewide weighted average rate for each class.