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Medicaid bulletin

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South Carolina
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July 8, 2011

MEDICAID BULLETIN

TO: All Providers

SUBJECT: Medicaid Reimbursement Changes

The South Carolina Department of Health and Human Services (SCDHHS) announces the following changes to maintain expenditures within budget appropriations for State Fiscal Year 2012. Public Notice of the proposed changes was published June 6, 2011. Comments were accepted and considered through 5:00 p.m. July 6, 2011. The reductions in this notice are in addition to the previous reduction of 3% that was applied on April 8, 2011.

Because capitation premiums to the managed care plans are based on fee-for-service (FFS) rates, these adjustments will also reflect cost savings in managed care initiatives. Providers contracted with Managed Care Organizations (MCOs) should contact the individual plan for information about rate and/or reimbursement changes.

SCDHHS will apply the reimbursement changes based upon how the provider is enrolled and how the rendered procedures and services link to a fee schedule. SCDHHS will update the Medicaid fee schedule using the following methodologies:

1. The Medicare Physician Fee Schedule - For procedures that are covered by Medicare, SCDHHS will adjust the percentage of the Medicare rate by the aggregate reduction from the combined April 8th and July 11th fee schedule reductions. For example, if you were reimbursed at 86% of Medicare prior to the April 8, 2011, reduction of 3% and you will be receiving an additional 2% reduction on July 11, 2011, you will now be reimbursed at 81% of the April 2009 Medicare Fee Schedule.
2. The Resource Based Relative Value Scale (RBRVS) - For procedures that are not priced by Medicare and are covered under RBRVS, SCDHHS will adjust the percentage of the RBRVS by the aggregate reduction from the combined April 8th and July 11th fee schedule reductions. For example, if you were reimbursed at 86% of the RBRVS prior to the 3% reduction on April 8, 2011 and you will be receiving an additional 2% reduction on July 11, 2011, you will now be reimbursed at 81% of the April 2009 RBRVS.
3. Manual pricing of codes - SCDHHS must manually set the rate for procedures that are not priced by Medicare or the RBRVS. SCDHHS looks to the State Health Plan (SHP) and other sources for basis of manual pricing. SCDHHS will adjust the percentage of the manually priced codes by the aggregate reduction from the combined April 8th and July 11th fee schedule reductions. For example, if your codes were reduced by 3% during the April 8, 2011 reduction and you will be receiving an additional 2% reduction on July 11, 2011, you will now be reimbursed at 95% of the original pricing of that code.

The revised fee schedule will be posted on the SCDHHS website for your convenience.

Exempt from Reductions

The following are exempt from these reductions:

- J-Codes
- Hospice (except for room and board)
- Federally Qualified Health Center/Rural Health Center (FQHC/RHC) encounter rate
- Program for All-inclusive Care for the Elderly (PACE)
- Inpatient and outpatient hospital services provided by qualifying burn intensive care unit hospitals, critical access hospitals, isolated rural, small rural and certain large rural hospitals as defined by Rural/Urban Commuting Area classes. These large rural hospitals must also be located in a Health Professional Shortage Area (HPSA) for primary care for total population
- Services provided by state agencies unless noted
- Catawba tribal members are exempt when services are rendered by the Catawba Service Unit in Rock Hill, South Carolina and when referred to a specialist or other medical provider by the Catawba Service Unit.

Rate/Reimbursement Reductions

Effective for dates of service provided on or after July 11, 2011, for the affected Medicaid services listed below, SCDHHS will reduce provider payments by the amount indicated.

Children's Personal Care (see Home and Community Based Waiver Services)

Clinic Services

- 4% rate reduction (does not include FQHCs and RHCs) For a complete listing of clinic provider types refer to Information for Providers at www.scdhhs.gov.

Dental Services

- 3% rate reduction (including any waiver services offered by these providers)
- Reduce the rate for Resin-based Composite to equal rate for Amalgam

Durable Medical Equipment

- Expenditure reductions through updated state specific fee schedule

Home and Community Based Waiver Services (includes waivers operated by both SCDHHS and the SC Department of Disabilities and Special Needs)

- 2% rate reduction for the following services: Case Management, Personal Care I, Personal Care II (including State Plan Children's Personal Care), Attendant Care (including Head and Spinal Cord Waiver Attendant Care), Companion, Private Duty Nursing (including State Plan and enhanced nursing for children), Adult Day Care, Adult Day Care Transportation, Adult Day Care Nursing, Adult Care Home, Home Delivered Meals, Bath Safety items, Pest Control, Telemonitoring, Environmental Modifications (payment will be reduced from 97% to 95% of billed/authorized amount), Nutritional Supplements (payment will be reduced from 97% to 95% of billed/authorized amount), Specialized Supplies and Equipment (payment

will be reduced from 97% to 95% of billed/authorized amount), Care Coordination, and Pediatric Medical Day Care.

- 35% reduction taken through updated incontinence supplies fee schedule based on the discontinuation of the bid process
- The rate for the Personal Emergency Response Service (PERS) will be reduced to \$30 for both installation and monthly monitoring.

Home Health Services

- 4% rate reduction

Integrated Personal Care

- 7% rate reduction

Lab and X-ray

- 7 % rate reduction

Medical Professionals (including any waiver services offered by these providers)

- Podiatrist, Audiologist, Speech, Physical and Occupational Therapist, Licensed Independent Professional/Behavioral Health providers, Psychologist, Chiropractor - 7% rate reduction
- Optometrist - 5% rate reduction (based on state regulations requiring parity with Ophthalmologist) (including any waiver services offered by this provider)
- Certified Registered Nurse Anesthetist (CRNA) – 3% reduction reflected from Anesthesiologist rate
- Nurse Practitioner, Nurse Midwife and Licensed Nurse Midwife – reduction reflected as a percentage of applicable physician rate

Non-Broker Provided Transportation

- 4% rate reduction

Pharmacy Services

- Reduce reimbursement from Average Wholesale Price (AWP) minus 13% to AWP minus 16% (including waiver prescription medications)
- Reduce dispensing fee from \$4.05 to \$3.00 (including waiver prescription dispensing fees)

Physician Services

- Pediatric Subspecialist excluding Neonatologist – 2% rate reduction
- Reduce Labor and Delivery reimbursement from \$1164 to \$1100 for Vaginal delivery and \$1000 for C-section delivery
- Family Practice, General Practice, Osteopath, Internal Medicine, Pediatrics, Geriatrics - 2% rate reduction
- Anesthesiologist – 3% rate reduction
- All other physicians excluding Obstetrics, OB/GYN, Maternal Fetal Medicine - 5% rate reduction
- Early Periodic Screening, Diagnosis and Treatment (EPSDT) Well Visit codes – 2% rate reduction

Private Duty Nursing (see Home and Community Based Waiver Services)

Inpatient/Outpatient Hospital Rate Reductions

For inpatient hospital discharges occurring and outpatient hospital services provided on or after July 11, 2011, the following changes will be implemented.

Inpatient Hospital Specific Per Discharge Rates

- Inpatient hospital specific per discharge rates for the following hospitals will be reduced to 93% of the October 1, 2010 per discharge rate:
 - Private general acute care hospitals,
 - Non-profit general acute care hospitals,
 - Non-state owned governmental SC general acute care hospitals, and
 - Out of state border hospitals with SC Medicaid inpatient utilization of at least 200 inpatient claims (per the hospital's 2006 base year cost report).
- All other SC non-general acute care hospitals and out-of-state contracting hospitals that receive the SC statewide average per discharge rate will receive a rate reduced to 93% of the October 1, 2010 SC statewide average per discharge rate.

Hospital Specific Inpatient Per Diem Multipliers

- While there will be no update to the statewide per diem rates, the hospital specific per diem multipliers for qualifying hospitals will be reduced to 93% of the October 1, 2010 hospital specific inpatient per diem multipliers.
- All hospitals receiving a hospital specific per diem multiplier of 0.97 will have its per diem multiplier reduced to 0.93.

Inpatient Hospital Retrospective Cost Settlements

- Retrospective cost settlements will continue to be made for qualifying hospitals but will be limited to 93% of allowable Medicaid reimbursable costs for discharges occurring on or after July 11, 2011.

Private and non-profit Long Term Psychiatric Hospitals

- Inpatient per diem rates will be reduced to 93% of the October 1, 2010 per diem rate.

Outpatient Hospital Specific Multipliers

- While there will be no update to the October 1, 2007 SC Medicaid outpatient hospital fee schedule rates, the hospital specific outpatient multipliers will be updated to reflect 93% of the October 1, 2010 outpatient multipliers.
- All hospitals receiving a hospital specific outpatient multiplier of 0.97 will have its outpatient multiplier reduced to 0.93.

Outpatient Hospital Retrospective Cost Settlements

- Retrospective cost settlements will continue to be made for qualifying hospitals but will be limited to 93% of allowable Medicaid reimbursable costs for services provided on or after July 11, 2011.

Outpatient Hospital Clinical Lab Services

- Outpatient hospital clinical lab services will be reimbursed at 90% of the 2010 Medicare Clinical Lab Fee Schedule rates for the state.

Other Proposed Actions

- Due to a proviso ending June 30, 2011, the largest teaching hospital in the state will be subject to these same inpatient and outpatient hospital rate/multiplier reductions.
- SCDHHS will eliminate payment for Hospital Acquired Conditions per federal regulations.
- SCDHHS will discontinue reimbursing out of state border hospitals for graduate medical education (direct and indirect medical education) costs and will adjust inpatient per discharge rates, per diem multipliers and outpatient multipliers accordingly.
- SCDHHS will reduce graduate medical education (direct and indirect) costs for SC teaching hospitals (including intern/resident and allied health programs) by 10% and adjust inpatient per discharge rates, per diem multipliers and outpatient multipliers accordingly. Cost settlements will be adjusted accordingly for inpatient discharges and outpatient hospital services to account for the reduction in allowable graduate medical education costs.

Nursing Facility and Intermediate Care Facilities for the Mentally Retarded (ICF-MR) Rate Reductions

Effective for services provided on or after July 11, 2011, SCDHHS will amend the payment methodology for hospice room and board services provided in nursing and ICF-MR facilities by reimbursing at 95% of the April 8, 2011 payment rates.

As a result of the reduction in the hospice room and board payment for services provided in all nursing facilities on or after July 11, 2011, the weighted average rate is projected to be \$144.13. The weighted average April 8, 2011 rate was \$148.69. This represents a weighted average per diem decrease of \$4.56 per Medicaid patient day or a 3.07% decrease. As a result of the reduction in the hospice room and board payment for services provided in ICF-MR on or after July 11, 2011, the weighted average rate is projected to be \$270.41. The weighted average April 8, 2011 rate was \$278.95. This represents a weighted average per diem decrease of \$8.54 per Medicaid patient day or a 3.06% decrease.

Reduced services

With approval from Centers for Medicare and Medicaid Services (CMS) the following services will be reduced:

- Pest Control Services for participants in the Community Choices, HIV/AIDS and Mechanical Ventilator waivers will be reduced to allow for a maximum of one treatment quarterly. This reduction will take effect upon CMS approval.

- Home Health Medical Social Work Visits - This service will be eliminated July 1, 2011. We encourage beneficiaries who have a continuing need for case management to call (803) 898-2724 or their home health agency provider.

Increase in Beneficiary Co-payment

Beginning July 11, 2011 SCDHHS will increase the beneficiary co-payment amount of \$2.30 to \$3.30 for the following services:

- Doctor office visits
- Home Health visits
- Clinic visits
- Optometrist visits

All other copayment amounts will stay the same. Refer to your provider manual for a list of services that require a co-payment.

Persons 19 and older who are enrolled in a Medical Homes Network or participate in waiver programs through Community Long Term Care or the SC Department of Disabilities and Special Needs must make a co-payment for their State Plan services according to established policy. Members of MCOs should contact their individual plan for information about co-payments in their plan.

A Medicaid beneficiary may not be denied services if unable to pay the co-payment at the time the service is rendered; however this does not relieve the beneficiary of the responsibility for the co-payment. It is the provider's responsibility to collect the co-payment from the beneficiary to receive full reimbursement for a service. SCDHHS will reduce provider payments for all claims where a co-payment was expected.

The following services are not subject to a co-payment:

- Medical equipment and supplies provided by the Department of Health and Environmental Control (DHEC)
- Orthodontic services provided by DHEC
- Family planning services
- End Stage Renal Disease (ESRD) services
- Infusion Center services
- Emergency services in the hospital emergency room
- Hospice benefits
- Waiver services

The following beneficiaries do not make a co-payment:

- Children under 19 years of age
- Pregnant women
- Institutionalized individuals (such as persons in a nursing facility or ICF-MR)
- Members of a Federally Recognized Indian Tribe are exempt from most co-payments. Tribal members are exempt when services are rendered by the Catawba Service Unit in Rock Hill, South Carolina and when referred to a specialist or other medical provider by the Catawba Service Unit
- Members of the Health Opportunity Account (HOA) program

Thank you for your continued support of the South Carolina *Healthy Connections* Medicaid program. We appreciate the input that we have received from providers which has produced cost savings for the program outside reimbursement reductions, as well as advice on the reductions themselves. It is our intent to continue working with individuals, providers and provider associations to make the program work better for providers and patients alike, and will continue to involve new initiatives to improve our payment model, reduce the incidence of low-birth weight babies and reduce the cost of doing business with Medicaid.

If you have additional questions about the changes included in this bulletin, please call your program area. For contact information of the different areas in the agency, refer to <http://www.scdhhs.gov/QuickContactlist.asp>. Should you wish to participate or comment on on-going or new initiatives to improve care and control costs, please contact Jeff Stensland, Public Information, at stensland@scdhhs.gov or (803) 898-2584.

/S/
Anthony E. Keck
Director