

February 21, 2014

«Name»
«Hospital»
«Address»
«City», «State» «Zip»

Re: 2014 SCDHHS DSH Guidance

Dear «Greeting»:

As required by Proviso 33.34, the South Carolina Department of Health and Human Services (SCDHHS) has been actively working with the South Carolina Hospital Association to enhance accountability for Disproportionate Share Hospital (DSH) payments and to ensure that new DSH formula requirements under the Affordable Care Act (ACA) do not adversely affect the South Carolina DSH pool beyond the statutorily required reduction in the state's DSH cap.

With these goals in mind, SCDHHS issued a public notice on August 13, 2013 that includes two proposed changes affecting DSH reimbursement. The first change requires that hospitals submit patient account data to SCDHHS concurrent with a hospital's response to the annual DSH survey. The second change is that hospitals must certify that procedures have been established to ensure that payment options are discussed with each uninsured patient to reinforce that Medicaid and the DSH program are the payor of last resort and that state and federal expenditures are made only for those individuals without other payment options.

The final public notice was issued September 26, 2013, and a State Plan Amendment was submitted on December 27, 2013. I would like review these new policies with you.

Policies

Submission of patient account data

The new policy requires that all hospitals (except Department of Mental Health [DMH] hospitals) produce account data for all uninsured patients for whom the hospital has sought DSH reimbursement in its 2014 DSH survey response. The data fields that must be produced are specified in the attached document entitled "Data Field Specifications." These data fields are the same as those requested in an SCDHHS DSH desk audit as specified in Attachment C of the March 23, 2010 letter from Jeff Saxon. The data should be uploaded at <https://msp.scdhhs.gov/DSH/>. The webpage will be accessible starting March 10, 2014.

Procedures to ensure that the DSH program is the payor of last resort

The new policy requires each hospital (except out-of-state border hospitals and DMH hospitals) provide a certification from its CEO or CFO confirming that the hospital follows SCDHHS's recommended workflow or an SCDHHS-approved alternative workflow. SCDHHS

recognizes that hospitals may develop different workflows for different areas of their operations. As such, a hospital may submit multiple alternative workflows.

A diagram of SCDHHS's recommended workflow and an accompanying workflow guide are enclosed. The recommended workflow includes the use of the patient attestation form which is also enclosed.

Alternative workflows (and accompanying workflow explanations) and CEO or CFO certification letters should be submitted to SCDHHS at proviso@scdhhs.gov. At a minimum, any alternative workflow must include a discussion of insurance options with the patient and an auditable method of documenting that the hospital has complied with its workflow for each patient.

If an uninsured patient has claims with dates of service more than 30 days apart, a discussion of insurance options must be documented using the attestation form (or any approved alternative) for each 30 day period.

Penalties

Submission of patient account data

The entire DSH payment for any hospital that does not submit patient account data may be denied (DMH hospitals excepted).

Procedures to ensure that the DSH program is the payor of last resort

SCDHHS may audit a sample of each hospital's records to determine the percentage of the hospital's uninsured patient population for which compliance with the workflow has not been documented. Based upon audit results, SCDHHS may reduce the hospital's DSH payment for up to four quarters by 0.5% for every 5% of the hospital's uninsured patient population for which compliance with the workflow has not been documented. However, no penalty will be assessed against the first 5% of the hospital's uninsured patient population for which compliance with the workflow has not been documented. For example, a hospital that documents compliance with the workflow for 88% of its uninsured patient population will be subject to a penalty of 1.0% of its DSH payment; a hospital that documents compliance for 71% will be subject to a penalty of 2.5%; a hospital that documents compliance with 95.1% will not be subject to a penalty. This penalty shall not apply to out-of-state border hospitals or DMH hospitals.

Deadlines

Submission of patient account data

Patient account data relating to the 2014 DSH survey must be submitted by March 28, 2014. In future years, patient account data and DSH survey responses must be submitted simultaneously.

Procedures to ensure that the DSH program is the payor of last resort

By May 1, 2014, hospitals must implement SCDHHS's recommended workflow (or an SCDHHS-approved alternative workflow) and submit a signed CEO/CFO certification of compliance.

SCDHHS will review and respond or approve alternative workflows within 30 days of receipt from hospitals.

SCDHHS will begin conducting audits of compliance with the workflow on or after July 1, 2014. Such audits may seek information dating back to the May 1, 2014 implementation date. Penalties resulting from the audit may be applied to a maximum of four quarters of DSH payments following completion of the audit. No penalties will be assessed based on audits relating to compliance during the period of May 1, 2014 to June 30, 2014.

Regardless of whether a hospital uses SCDHHS's recommended workflow or an alternative workflow, SCDHHS recommends that hospitals begin implementing workflows immediately.

In light of these requirements, SCDHHS is considering how the sponsored Medicaid worker program may be revised to assist hospitals in implementing the workflows.

The August 13, 2013 public notice referenced establishing an income-based limit on patients eligible for DSH. Based on feedback, SCDHHS plans to continue discussion with hospitals and the community regarding this requirement and the goal of ensuring that DSH payments are made on behalf of those most in need and without alternative sources of payment. Therefore, this proposal was removed from the December 27, 2013 State Plan Amendment.

Thank you for your assistance. If you have any questions, please feel free to contact me or call Jay Smith at 803.898.1341.

Sincerely,



Elizabeth Hutto
Interim Deputy Director of Finance

Cc: «CFO»

Enclosures: Data Field Specifications
Workflow Guide
Workflow
Attestation for Uninsured Patients
Health Insurance and Coverage Options
Template for CEO/CFO Certification Letter