



State of South Carolina  
Department of Health and Human Services

Mark Sanford  
Governor

Emma Forkner  
Director

August 27, 2010

Ms. Jackie L. Glaze  
Associate Regional Administrator  
Center for Medicare and Medicaid Services  
Division of Medicaid & Children's Health  
Atlanta Regional Office  
61 Forsyth Street, SW - Suite 4T20  
Atlanta, Georgia 30303-8909

**RE: South Carolina Title XIX State Plan Amendment SC 10-009**

Dear Ms. Glaze:

Please find enclosed State Plan Amendment SC 10-009 for your review and approval. This plan amendment changes the pharmacy payment limit to the lesser of the following:

- The Federally-mandated upper limit of payment or South Carolina Maximum Allowable Costs (SCMAC) for the drug less the current discount rate (10%), plus the current dispensing fee; or
- The South Carolina Estimated Acquisition Cost (SCEAC) which is the Wholesale Acquisition Cost (WAC) plus (12.5%), plus the current dispensing fee; or
- The provider's usual and customary charge to the public for the prescription as written for the brand actually dispensed.

In regards to the CMS funding questions, the following information is being provided for your review:

**CMS QUESTION #1:**

Section 1903(a)(1) provides that Federal matching funds are only available for expenditures made by States for services under the approved State plan. Do providers receive and retain the total Medicaid expenditures claimed by the State (includes normal per diem, supplemental, enhanced payments, other) or is any portion of the payments returned to the State, local governmental entity, or any other intermediary organization? If providers are required to return any portion of payments, please provide a full description of the repayment process. Include in your response a full description of the methodology for the return of any of the payments, a complete listing of providers that return a portion of their payments, the amount or percentage of payments that are returned and the disposition and use of the funds once they are returned to the State (i.e. general fund, medical services account, etc.).

**SCDHHS Response:**

Under SC 10-009, providers retain 100% of the pharmaceutical payments that will be reimbursed under this state plan amendment effective October 1, 2010.

**CMS QUESTION #2:**

Section 1902(a)(2) provides that the lack of adequate funds from local sources will not result in lowering the amount, duration, scope or quality of care and services available under the plan. Please describe how the state share of each type of Medicaid payment (normal per diem, supplemental, enhanced, other) is funded. Please describe whether the state share is from appropriations from the legislature to the Medicaid agency, through intergovernmental transfer agreements (IGTs), certified public expenditures (CPEs), provider taxes, or any other mechanism used by the state to provide state share. Note that, if the appropriation is not to the Medicaid agency, the source of the state share would necessarily be derived through either an IGT or CPE.

In this case, please identify the agency to which the funds are appropriated. Please provide an estimate of total expenditure and State share amounts for each type of Medicaid payment. If any of the non-federal share is being provided using IGTs or CPEs, please fully describe the matching arrangement including when the state agency receives the transferred amounts from the local government entity transferring the funds. If CPEs are used, please describe the methodology used by the state to verify that the total expenditures being certified are eligible for Federal matching funds in accordance with 42 CFR 433.51(b). For any payment funded by CPEs or IGTs, please provide the following:

- (i) a complete list of the names of entities transferring or certifying funds;
- (ii) the operational nature of the entity (state, county, city, other)
- (iii) the total amounts transferred or certified by each entity;
- (iv) clarify whether the certifying or transferring entity has general taxing authority; and
- (v) whether the certifying or transferring entity received appropriations (identify level of appropriations)

**SCDHHS Response:**

Service/Payment Program	Source of Funding
Pharmaceuticals	State Appropriations to the Medicaid Agency. CPE from the SC Department of Mental Health (SCDMH), IGTs from the SC Department of Disabilities and Special Needs (SCDDSN), and CPE from the SC Department of Health and Environmental Control (SCDHEC) which are Actually State Appropriations

SCDMH and the SCDHEC use certified public expenditures (CPE) as the source of state matching funds. The following CPE contract language has been developed and is incorporated into SCDMH's contracts:

"SCDMH agrees to incur expenditures from state appropriated funds and/or funds derived from tax revenue in an amount at least equal to the non-federal share of the allowable, reasonable and necessary cost for the provision of services to be provided to Medicaid recipients under this contract prior to submitting claims for payment under this contract. Documentation of the non-federal expenditures necessary to support the claims for reimbursement must be maintained by SCDMH and are subject to audit by SCDHHS. SCDHHS

may withhold and/or recoup reimbursements if Certified Public Expenditures are not adequately documented. As required by 45 CFR Part 201.5, all funds expended for the non-federal share of this contract must be in compliance with 42 CFR Part 433 Subpart B. Such non-federal funds must be actually expended for the provision of services to be provided under this contract.”

SCDDSN, via IGTs, transfer state appropriations for private pharmacies providing drugs to their Medicaid waiver population. SCDDSN is required to transfer the state matching funds in advance, prior to the private pharmacies submitting their claims for Medicaid reimbursement.

A schedule detailing an estimate of total expenditures and state share amounts for each type of pharmaceutical expenditure is enclosed.

**CMS QUESTION #3:**

Section 1902(a)(30) requires that payments for services be consistent with efficiency, economy, and quality of care. Section 1903(a)(1) provides for Federal financial participation to States for expenditures for services under an approved State plan. If supplemental or enhanced payments are made, please provide the total amount for each type of supplemental or enhanced payment made to each provider type.

**SCDHHS Response:**

There are no supplemental or enhanced payments made to providers under this specific plan amendment.

**CMS QUESTION #4:**

Does any governmental provider receive payments that in the aggregate (normal per diem, supplemental, enhanced, other) exceed their reasonable costs of providing services? If payments exceed the cost of services, do you recoup the excess and return the Federal share of the excess to CMS on the quarterly expenditure report?

**SCDHHS Response**

It is anticipated that the payments received by governmental providers under this plan amendment will not exceed their reasonable costs of providing services.

In relation to the coverage and reimbursement pages that include sections related to this state plan amendment, the state is in compliance with the terms of the American Recovery and Reinvestment Act (ARRA) concerning:

1. Maintenance of Effort;
2. State or local match;
3. Prompt payment;
4. Rainy day funds; and
5. Eligible expenditures (e.g. no DSH or other enhanced match payments).

In regards to Section 5006(e) of the Recovery Act (Public Law (P.L.) 111-5) requirement for Tribal Consultation the following responses are provided:

1. Is the submittal of SC 10-009 likely to have a direct impact on Indians or Indian health programs (Indian Health Service, Tribal 638 Health Programs, Urban Indian Organizations)?

Minimal impact.

2. If SC 10-007 is not likely to have a direct impact on Indians or Indian health programs, please explain why not.

SPA SC 10-009 proposes to revise our pharmaceutical reimbursement methodology. Beneficiaries receiving Pharmacy services would experience no impact from this state plan. Pharmaceutical providers would be reimbursed based on this new methodology which may result in a small increase in the reimbursement for affected products.

3. If SC 10-009 is likely to have a direct impact on Indians or Indian health programs please respond to the following questions:

Not applicable.

- a. How did the State consult with the Federally-recognized tribes and Indian health programs prior to submission of this SPA or waiver request?
- b. If the tribes and Indian health programs were notified in writing, please provide a copy of the notification, the date it was sent and a list of the entities notified. In addition, please provide information about any concerns expressed by the tribes and/or Indian health providers and the outcome.
- c. If the consultation with the tribes and Indians health providers occurred in a meeting, please provide a list of invitees, a list of attendees, the date the meeting took place and information about any concerns expressed by the tribes and/or Indian health providers and the outcome.

If you should have any questions, please contact Melanie Giese, Bureau of Health Services at (803) 898-2868 or Valeria Williams at (803) 898-3477.

Sincerely,



Emma Forkner  
Director

EF/wsh  
Enclosures

Projected Total Annual Expenditures and State Share Amounts  
 For Pharmaceutical Services  
 Based Upon SFY 2010 Expenditures  
 And Implementation of State Plan Amendment SC 10-009  
 Enclosure Applicable to CMS Funding Question #2, Items (i) Through (v)

Entity	CPE	IGT	Operational Nature	Total Amounts Transferred/Certified (2)	General Taxing Authority (1) (2)	Does Entity Receive State Appropriations?	SFY 2011 State Appropriations Received (3)
South Carolina Dept. of Disabilities and Special Needs		X	State	\$327,013	No	Yes	\$169,335,895
South Carolina Department of Mental Health	X		State	\$91,567	No	Yes	\$147,389,163
South Carolina Department of Health and Environmental Control	X		State	\$1,080,806	No	Yes	\$89,360,634

Notes: (1) - While the state agency does not have taxing authority, the state does.  
 (3) - Total amounts certified based upon estimated SFY 2010 expenditures as reflected on summary report @ estimated 26.07% match rate.  
 (4) - Source Document Used - Office of State Budget - FY 2010-2011 Appropriations Act Final Summary Control Document

South Carolina Department of Health and Human Services  
 Actual/Projected Total Annual Expenditures and State Share Amounts  
 For Pharmaceutical Services  
 Based Upon SFY 2010 Expenditures  
 And Implementation of State Plan Amendment SC 10-009  
 Enclosure Applicable to CMS Funding Question #2

Type of Service	Projected Total Payments	Projected State Share
Projected Pharmaceutical Expenditures (Excluding Family Planning Drugs)	\$267,403,765	\$69,712,162
Projected Family Planning Pharmaceutical Expenditures	\$7,195,601	\$719,560
Projected Savings in Medicare Part B and Part C Drugs (Pending SC 10-007)	(\$2,250,000)	(\$586,575)
Projected Total For SFY 2011	\$272,349,366	\$69,845,147

(1) - State Match Rate - Estimated SFY 2011	26.07%
State Share Amount = State Appropriations (\$68,345,761), SCDDSN IGT (\$327,013), SCDMH CPE (\$91,567), and SCDHEC CPE (\$1,080,806)	

Date: August 25, 2010  
 File: g:\users\saxon\excel\CMS 5 Questions 10-009  
 Subfile: Summary  
 Source: SCDHHS Analysis of Medical Care - SFY 2010

## PUBLIC NOTICE

### DEPARTMENT OF HEALTH AND HUMAN SERVICES

The South Carolina Department of Health and Human Services (SCDHHS), pursuant to the requirement of 42 CFR 447.205, gives notice of the following action regarding our Pharmacy drug reimbursement methodology.

Effective for service dates on or after October 1, 2010, SCDHHS proposes to update the Medicaid Pharmacy payment limit to the lesser of:

- The Federally-mandated upper limit of payment or South Carolina Maximum Allowable Costs (SCMAC), for the drug less the current discount rate (10%), plus the current dispensing fee; or
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- The provider's usual and customary charge to the public for the prescription as written for the brand actually dispensed.

The SCDHHS estimates this action will increase total annual expenditures by approximately \$8,500,000.

Copies of this notice are available at each County Department of Health and Human Services Office for public review. Additional information concerning these proposed actions is available upon request at the address cited below.

Any written comments submitted may be reviewed by the public at the Department of Health and Human Services, Bureau of Health Services, 1801 Main Street Room, 11<sup>th</sup> Floor - Room 1119, Columbia, South Carolina, Monday through Friday between the hours of 9:00 A.M. and 5:00 P.M.



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Emma Forkner, Director  
Department of Health and Human Services

ELIZABETH HUTTO SC STATE HEALTH & HUMAN SERVICES  
PO BOX 8206 ATTN: ACCTS PAYABLE  
COLUMBIA SC 29202

# AFFIDAVIT OF PUBLICATION

## The Post and Courier

State of South Carolina  
County of Charleston

Personally appeared before me the undersigned advertising clerk of the above indicated newspaper published in the city of Charleston, county and state aforesaid, who, being duly sworn, says that the advertisement of

(copy attached)

appeared in the issues of said newspaper on the following day(s):

09/01/10 Wed PC  
09/01/10 Wed CNW

### RECEIVED

SEP 07 2010

DHHS  
Bureau of Fiscal Affairs

at a cost of \$179.22  
Account# 107784  
Order# 376208  
P.O. Number:

Subscribed and sworn to before  
me this 3rd day  
of September  
A.D. 2010

*Keisha Edging*  
advertising clerk

*Shelby*  
NOTARY PUBLIC, SC  
My commission expires 10/10/13

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Emma Forkner, Director  
Department of Health and Human Services  
AD# 376208

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

1. TRANSMITTAL NUMBER:  
SC 10-009

2. STATE  
South Carolina

**FOR: HEALTH CARE FINANCING ADMINISTRATION**

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  
October 1, 2010

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:

7. FEDERAL BUDGET IMPACT: Estimated @ 72.43% for 2011  
a. FFY    2011   \$6,156,550  
b. FFY    2012   \$6,156,550

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-B Page 3b

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

Attachment 4.19-B Page 3b

10. SUBJECT OF AMENDMENT:

Revise Pharmacy drug reimbursement methodology.

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:  
Mrs. Forkner was designated by the Governor  
to review and approve all State Plans

12. SIGNATURE OF STATE AGENCY OFFICIAL:



13. TYPED NAME:

Emma Forkner

14. TITLE:

Director

15. DATE SUBMITTED:

August 27, 2010

16. RETURN TO:

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

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

18. DATE APPROVED:

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

22. TITLE:

23. REMARKS:

Effective January 1, 2004, there is a standard co-payment (42 CFR 447.55) of \$3.00 for dental services furnished when co-payment is applicable (42 CFR 447.53). Pregnant women, individuals participating in family planning services, infants and children up to age 19 will not be subject to co-pay.

11.a. Physical Therapy/Occupational Therapy:

&

11.b. Payment will be according to an established fee schedule as based on the methodology outlined in the Physician Section 5, Attachment 419-B, Page 2a. All requirements identified under 42 CFR 447.200ff and 447.300ff shall be met.

11.c. Speech/Language and Audiological Services:

Payment will be according to an established fee schedule.

12.a. Prescribed Drugs:

Medicaid pays for FDA approved prescribed drugs with stated exceptions described in Attachment 3.1-A, Item 12-A, Limitation Supplement.

1. Basis for Payment:

A. MULTIPLE SOURCE DRUGS

Reimbursement for covered multiple-source drugs in the Medicaid program shall be limited to the lowest of:

- (1) The Federally-mandated upper limit of payment or South Carolina Maximum Allowable Costs (SCMAC), for the drug less the current discount rate (10%), plus the current dispensing fee; or
- (2) The South Carolina Estimated Acquisition Cost (SCEAC) which is the wholesale acquisition cost (WAC) plus (12.5%) plus the current dispensing fee; or
- (3) The provider's usual and customary charge to the public for the prescription as written for the brand actually dispensed.

B. OTHER DRUGS

Reimbursement for covered drugs other than the multiple-source drugs with CMS upper limits shall not exceed the lower of:

- (1) The South Carolina Estimated Acquisition Cost (SCEAC), which is the wholesale acquisition cost (WAC), plus (12.5%), plus the current dispensing fee; or
- (2) The provider's usual and customary charge to the public for the prescription as written for the brand actually dispensed.

SC 10-009

EFFECTIVE DATE: 10/01/10

RO APPROVAL:

SUPERSEDES: MA 03-013