

Proviso Report

Proviso 21.11 Provider Reimbursement Rate Report

The following is submitted as required by Proviso 21.11 of the
SFY 2013 Appropriations Act

The Department of Health and Human, in conjunction with the Office of Research and Statistics of the Budget and Control Board, shall prepare a report that compares the reimbursement rate of Medicaid providers to the reimbursement rate of the Medicare Program and the State Health Plan. This report shall be completed by January thirty-first, each year, and submitted to the Governor and the members of the General Assembly.



Chase Center/Circle
111 Monument Circle
Suite 601
Indianapolis, IN 46204-5128
USA

Tel +1 317 639 1000
Fax +1 317 639 1001

milliman.com

August 1, 2013

Ms. Beth Hutto
Deputy Director of Finance and Administration
State of South Carolina
Department of Health and Human Services
1801 Main Street
Columbia, SC 29202-8206

RE: PROVISO 21.11 - PROVIDER REIMBURSEMENT RATE REPORT (CY 2012)

Dear Beth:

Milliman, Inc. (Milliman) has been retained by the State of South Carolina, Department of Health and Human Services (SCDHHS) to complete the provider reimbursement rate report as required by South Carolina law Section 21.11. This correspondence provides the results of the analysis, which compares provider reimbursement under the Medicaid fee schedule to the geographically-adjusted Medicare fee schedule and to the South Carolina State Employee Health Plan (SHP) fee schedule for calendar year (CY) 2012.

LIMITATIONS

The information contained in this letter has been prepared for the State of South Carolina, Department of Health and Human Services (SCDHHS). Milliman understands this letter may be distributed to the Governor and members of the General Assembly. This letter may not be distributed to any other party without the prior consent of Milliman. To the extent that the information contained in this correspondence is provided to any approved third parties, the correspondence should be distributed in its entirety. Any user of the data must possess a certain level of expertise in actuarial science and healthcare modeling so as not to misinterpret the information presented. The terms of Milliman's contract with SCDHHS effective July 1, 2012 apply to this letter and its use.

Milliman makes no representations or warranties regarding the contents of this correspondence to third parties. Likewise, third parties are instructed that they are to place no reliance upon this correspondence prepared for SCDHHS by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties.

In the development of the information presented in this letter, Milliman has relied upon certain data from the SCDHHS. To the extent that the data was incomplete or inaccurate, the values presented in the letter will need to be reviewed for consistency and revised to meet any revised data.

EXECUTIVE SUMMARY

The State of South Carolina, public law 21.11, requires SCDHHS to prepare a provider reimbursement rate report. The following provides the associated language.

The Department of Health and Human Services, in conjunction with the Office of Research and Statistics of the Budget and Control Board, shall prepare a report that compares the reimbursement rate of Medicaid providers to the reimbursement rate of the Medicare program and the State Health Plan. This report shall be completed by January thirty-first, each year, and submitted to the Governor and the members of the General Assembly.

SCDHHS contracted with Milliman to perform the fee schedule analysis. Table 1 summarizes the reimbursement rates on the state's Medicaid fee schedule as a percentage of those on the geographically – adjusted Medicare fee schedule and the state employee fee schedule for CY 2012, by category of service.

**Table 1
 State of South Carolina
 Department of Health and Human Services
 Provider Reimbursement Rate Comparison
 By Category of Service**

Category of Service	Medicaid Fee Schedule Compared to	
	Medicare	SHP
Surgery	74.1%	52.8%
Evaluation & Management	73.3%	76.9%
Maternity	124.9%	94.2%
Radiology	78.5%	45.9%
Pathology	76.8%	47.2%
Mental Health	81.4%	N/A
Other Medical	59.5%	54.1%
Composite	74.4%	64.0%

As shown in Table 1, the South Carolina Medicaid fee schedule is 74.4% of the 2012 geographically-adjusted Medicare fee schedule and 64.0% of the SHP fee schedule on a composite basis.

Enclosure 1 expands the results presented in Table 1 to include observed units of service and estimated expenditures by category of service. The comparison between the Medicaid fees and the Medicare fee schedule was calculated independently from the comparison between the Medicaid fees and the SHP fee schedule. In comparing Medicaid fees to each of the Medicare and SHP fee schedules, we summarized estimated expenditures for services where a fee was found in the comparative fee schedules. The key assumptions and methods underlying the development of these results are documented in the remainder of this correspondence.

KEY ASSUMPTIONS AND METHODS

The following steps were used in the development of the fee schedule comparison:

1. Summarize historical fee-for-service and encounter units of service for physician services incurred in CY 2012.
2. Map Medicaid, Medicare and SHP fee schedule amounts to procedure codes (and modifiers, where applicable).
3. Multiply observed units of service by the applicable fee schedule amount to obtain total expenditures. In the case of services performed by midwives, nurse practitioners, and physician assistants (identified by practice specialties 6 & 86, respectively) an 80% multiplier was applied to the appropriate fee schedule amounts.
4. Summarize results and compare expenditures by category of service as assigned by the Milliman Health Cost Guidelines grouper software.

The following exclusions and limitations apply to the data that was used in the analysis:

- Dual eligible individuals were excluded from the analysis due to the impact of Medicare reimbursement on Medicaid expenditures.
- Anesthesia and injectable drugs were excluded from the analysis based on the inconsistency between reported units of service and fee schedule amounts.
- Services were limited to those indicated on the physician fee schedule.

The fee schedules that were used in the analysis are as follows:

- **Medicaid fee schedules** – accessed from the SCDHHS website on 7/3/2013; all effective 1/1/2012, with the exception of the Durable Medical Equipment fee schedule, which was effective 7/1/2012. Enclosure 2 outlines the process used to map the Medicaid fee schedule to procedure codes using provider type and practice specialty information as a qualifier.
- **Medicare fee schedule** – consists of the CY 2012 fee schedule geographically adjusted for South Carolina effective 3/1/2012 obtained using the “physician fee lookup” function on the CMS website and the CY 2012 Clinical Lab fee schedule specific to South Carolina downloaded from the CMS website.
- **State employee fee schedule** – the CY 2012 SHP fee schedule was provided by SCDHHS on 7/19/2013.

The following additional considerations apply to the analysis:

- The comparison of the Medicaid fee-for-service fee schedule to the Medicare and SHP fee schedules is based on applying observed units of service to the applicable fee schedule amounts. Actual reimbursement within the state’s Medicaid program varies from this analysis since contracted managed care plans may reimburse more or less than the fee-for-service fee schedule.



Ms. Beth Hutto
August 1, 2013
Page 4

- The maternity service code reimbursement level is difficult to measure due to reimbursement methodologies within the state Medicaid program. Under the state Medicaid program, the pre-natal and post-partum visits are reimbursed using office visit codes with modifiers. In a commercial reimbursement structure, these services are either paid using a global delivery fee (i.e., one reimbursement rate for pre-natal, delivery and post-partum) or with CPT-4 specific codes related to pre-natal and post-partum care.

Due to these issues, the values shown in Table 1 should be interpreted with caution, since several procedure codes are excluded or have limited comparability.



Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I am a member of the American Academy of Actuaries, and I meet the qualification standards for performing the analyses in this report.

If you have any questions regarding the enclosed information, please contact me at (317) 524-3512.

Sincerely,

A handwritten signature in black ink that reads "Robert M. Damler".

Robert M Damler, FSA, MAAA
Principal and Consulting Actuary

RMD/lrb
Enclosures



ENCLOSURE 1

State of South Carolina
 Department of Health & Human Services
 2012 Medicaid Fee Schedule by Major Category of Service

Category of Service	Description	Services Present in Medicare and Medicaid Fee Schedules				Services Present in State EE Plan and Medicaid Fee Schedules				Services Present in Medicaid Fee Schedule			
		Medicare		Medicaid		Medicare		Medicaid		Medicare		Medicaid	
		Total Units	Total Medicaid Fee	Total Medicare Equivalent Cost	Total Medicare	Total Units	Total Medicaid Fee	Total Medicare Equivalent Cost	Total Medicare	Total Units	Total Medicaid Fee	Total Medicare Equivalent Cost	Total Medicare
Surgery	Inpatient Surgery	47,618	\$ 14,357,059	\$ 19,021,035	75.5%	47,832	\$ 14,424,887	\$ 26,098,292	55.3%	48,212	\$ 14,821,013	\$ 26,098,292	55.3%
	Inpatient Surgery - Asst	1,237	967,981	1,291,320	75.0%	1,234	966,004	1,737,014	55.6%	1,255	975,295	1,737,014	55.6%
	Outpatient Surgery	141,407	25,843,185	34,550,298	74.8%	142,757	25,933,699	51,375,919	50.5%	143,054	26,176,482	51,375,919	50.5%
	Office Surgery	108,734	9,747,749	13,817,045	70.5%	110,766	9,886,122	17,846,201	55.4%	112,386	9,944,541	17,846,201	55.4%
	Sub Total	298,996	\$ 50,915,974	\$ 68,679,698	74.1%	302,589	\$ 51,210,712	\$ 97,057,426	52.8%	304,907	\$ 51,917,331	\$ 97,057,426	52.8%
Evaluation & Management	Hospital Visits	766,943	\$ 30,743,276	\$ 41,806,064	73.5%	765,451	\$ 30,656,944	\$ 34,096,006	89.9%	766,946	\$ 30,743,288	\$ 34,096,006	89.9%
	Office/Home Visits	2,596,715	139,708,687	194,911,851	71.7%	2,596,715	139,708,687	183,802,401	76.0%	2,596,770	139,786,250	183,802,401	76.0%
	Emergency Room Visits	593,682	40,880,166	51,675,707	79.1%	593,682	40,880,166	60,712,545	67.3%	594,027	40,883,664	60,712,545	67.3%
	Consults	-	-	-	0.0%	112,552	13,028,587	16,241,173	80.2%	112,552	13,028,587	16,241,173	80.2%
	Well Baby Exams	-	-	-	0.0%	235,681	15,151,192	17,956,452	84.4%	235,681	15,151,192	17,956,452	84.4%
Physical Exams	128,041	909,335	1,160,611	78.3%	340,784	16,324,067	19,935,498	81.9%	341,610	16,335,346	19,935,498	81.9%	
Sub Total	4,085,381	\$ 212,241,464	\$ 289,554,233	73.3%	4,644,865	\$ 255,749,643	\$ 332,744,075	76.9%	4,647,586	\$ 255,928,327	\$ 332,744,075	76.9%	
Maternity	Normal Deliveries	20,893	\$ 22,766,401	\$ 15,612,474	145.8%	20,893	\$ 22,766,401	\$ 21,629,236	105.3%	20,893	\$ 22,766,401	\$ 21,629,236	105.3%
	Cesarean Deliveries	12,191	12,185,800	10,310,716	118.2%	12,191	12,185,800	12,594,260	96.8%	12,191	12,185,800	12,594,260	96.8%
	Non Del. Services	54,660	3,175,931	4,612,352	68.9%	54,660	3,175,931	6,262,718	50.7%	54,660	3,175,931	6,262,718	50.7%
	Sub Total	87,744	\$ 38,128,132	\$ 30,535,541	124.9%	87,744	\$ 38,128,132	\$ 40,486,214	94.2%	87,744	\$ 38,128,132	\$ 40,486,214	94.2%
	Radiology	Radiology	3	\$ 116	\$ 160	72.7%	2	\$ 105	\$ 187	56.3%	4	\$ 203	\$ 187
Inpatient		133,164	2,308,944	2,839,963	81.3%	132,230	2,303,476	6,026,808	38.2%	133,652	2,351,997	6,026,808	38.2%
Outpatient General		406,810	6,582,073	8,138,402	80.9%	406,641	6,584,942	17,462,632	37.7%	406,848	6,586,335	17,462,632	37.7%
Outpatient CT/MRI/PET		30,526	1,831,437	2,213,664	82.7%	30,526	1,831,437	4,837,984	37.9%	30,538	1,832,752	4,837,984	37.9%
Office General		323,247	20,439,270	26,187,438	78.0%	323,124	20,429,318	40,272,049	50.7%	330,496	20,967,720	40,272,049	50.7%
Office CT/MRI/PEI	15,744	3,811,653	5,154,772	73.9%	15,870	3,899,636	7,698,368	50.7%	15,873	3,900,930	7,698,368	50.7%	
Sub Total	909,494	\$ 34,973,494	\$ 44,534,399	78.5%	908,393	\$ 35,048,914	\$ 76,298,028	45.9%	917,411	\$ 35,639,936	\$ 76,298,028	45.9%	
Pathology	Pathology	5,401	\$ 40,319	\$ 52,047	77.5%	5,401	\$ 40,319	\$ 92,427	43.6%	5,401	\$ 40,319	\$ 92,427	43.6%
	Inpatient	41,629	1,342,528	1,713,185	78.4%	41,650	1,342,654	4,533,840	29.6%	41,684	1,343,133	4,533,840	29.6%
	Outpatient	1,808,905	32,399,730	42,798,623	75.7%	1,786,280	31,204,945	63,630,241	49.0%	1,850,859	33,258,988	63,630,241	49.0%
	Office	1,357,346	12,529,955	15,736,780	79.6%	1,378,607	13,041,776	28,419,850	45.9%	1,394,428	13,149,248	28,419,850	45.9%
	Sub Total	3,213,281	\$ 46,312,531	\$ 60,300,635	76.8%	3,211,938	\$ 45,629,694	\$ 96,676,359	47.2%	3,292,372	\$ 47,791,687	\$ 96,676,359	47.2%
Psych	Outpatient Psychiatric	780,984	\$ 48,150,736	\$ 59,160,097	81.4%	-	\$ -	\$ -	0.0%	783,306	\$ 48,284,773	\$ 59,160,097	0.0%
	Outpatient Alcohol/Drug	36,471	1,578,877	1,928,201	81.9%	-	\$ -	\$ -	0.0%	48,777	2,199,608	1,928,201	0.0%
	Sub Total	817,455	\$ 49,729,613	\$ 61,088,298	81.4%	-	\$ -	\$ -	0.0%	832,083	\$ 50,484,381	\$ 61,088,298	0.0%

State of South Carolina
 Department of Health & Human Services
 2012 Medicaid Fee Schedule by Major Category of Service

Category of Service	Description	Services Present in Medicare and Medicaid Fee Schedules				Services Present in State EE Plan and Medicaid Fee Schedules				Services Present in Medicaid Fee Schedule			
		Medicare		Medicaid		Medicare		Medicaid		Medicare		Medicaid	
		Total Units	Total Medicaid Fee	Total Medicare Equivalent Cost	Medicare	Total Units	Total Medicaid Fee	Total Medicare Equivalent Cost	Medicaid	Total Units	Total Medicaid Fee	Total Medicare Equivalent Cost	Medicaid
Other Medical													
	Urgent Care	-	-	-	0.0%	-	-	-	0.0%	-	-	-	-
	Therapeutic Injections	-	-	-	0.0%	-	-	-	0.0%	-	-	-	43,313
	Allergy Testing	456,158	1,918,079	2,732,378	70.2%	456,158	1,918,079	1,623,820	118.1%	456,158	1,918,079	1,623,820	1,918,079
	Allergy Immunotherapy	468,666	3,931,489	5,467,797	71.9%	468,666	3,931,489	5,180,457	75.9%	468,666	3,931,489	5,180,457	3,931,489
	Physical Therapy	694,771	15,685,283	21,185,505	74.0%	640,914	14,859,477	14,136,495	105.1%	694,771	15,685,283	14,136,495	15,685,555
	Cardiovascular	142,199	2,998,128	3,309,728	90.6%	141,985	2,996,051	7,090,652	42.3%	142,214	3,004,330	7,090,652	3,004,330
	Chiropractor	2,431	68,536	95,258	71.9%	2,426	68,593	133,556	51.4%	2,438	68,809	133,556	68,809
	Immunizations	13,904	51,316	275,316	18.6%	13,904	51,316	54,092	94.9%	14,183	55,560	54,092	55,560
	Vision Exams	108,990	8,839,631	12,856,380	68.8%	109,144	8,850,299	11,144,168	79.4%	202,483	11,150,190	11,144,168	11,150,190
	Hearing/Speech Exams	1,843,391	28,963,159	64,506,821	44.9%	1,859,589	29,097,575	80,929,961	36.0%	1,860,913	29,118,353	80,929,961	29,118,353
	Podiatrist	6,945	425,064	610,840	69.6%	7,177	432,193	644,248	67.1%	7,256	434,365	644,248	434,365
	Miscellaneous Medical	201,742	484,379	605,226	80.0%	201,742	484,379	1,008,710	48.0%	201,742	484,379	1,008,710	484,379
	Venipuncture	-	-	-	0.0%	-	-	-	0.0%	-	-	-	-
	Biofeedback	501	55,970	80,125	69.9%	501	55,970	91,220	61.4%	502	56,431	91,220	56,431
	Gastroenterology	12,942	546,631	804,229	68.0%	12,968	547,905	906,206	60.5%	12,969	547,937	906,206	547,937
	Ophthalmology	2,490	74,780	102,474	73.0%	2,490	74,780	134,724	55.5%	2,491	74,780	134,724	74,780
	Otorhinolaryngology	547	12,107	13,535	89.5%	547	12,107	20,977	57.7%	547	12,107	20,977	12,107
	Vestibular Function Tests	19,340	1,119,233	1,756,414	63.7%	19,340	1,119,233	2,026,993	55.2%	19,340	1,119,233	2,026,993	1,119,233
	Non-Invasive Vascular Diagnostic St	123,131	1,218,891	1,746,380	69.8%	123,381	1,237,473	2,631,698	47.0%	124,175	1,251,780	2,631,698	1,251,780
	Neurology	72,414	5,638,717	7,660,296	73.9%	72,569	5,791,072	8,679,878	66.7%	72,602	5,793,561	8,679,878	5,793,561
	Central Nervous System Tests	55,013	3,984,697	4,866,062	81.9%	53,190	3,875,616	4,492,896	86.3%	74,190	4,120,648	4,492,896	4,120,648
	Chemotherapy	21,742	1,509,037	1,834,703	82.2%	21,047	1,496,625	1,610,746	92.9%	22,551	1,793,770	1,610,746	1,793,770
	Photodynamic Therapy	9	745	1,115	66.8%	9	745	882	84.5%	9	745	882	745
	Dermatology	8,283	424,096	625,323	67.8%	8,282	424,051	524,789	80.8%	8,284	424,096	524,789	424,096
	Medical Nutrition Therapy	568	12,577	17,820	70.6%	-	-	-	0.0%	568	12,577	-	12,577
	Prescription Drugs	-	-	-	0.0%	-	-	-	0.0%	-	-	-	-
	Other Miscellaneous Services	5,625	225,821	289,775	77.9%	4,816	222,426	295,345	75.3%	1,439,824	9,116,213	295,345	9,116,213
Sub Total		4,261,802	78,208,367	131,443,502	59.5%	4,220,845	77,547,453	143,362,513	54.1%	5,834,669	90,218,299	143,362,513	90,218,299
Total		13,674,153	510,509,575	686,136,307	74.4%	13,376,374	503,314,548	786,624,615	64.0%	15,916,772	570,108,093	786,624,615	570,108,093



ENCLOSURE 2

State of South Carolina
Department of Health & Human Services
Provider Reimbursement Rate Comparison
Fee Schedule Selection Process for Mapping Procedure Codes to Medicaid Fee Schedules

Medicaid Fee Schedules Mapping

Provider Type	Practice Specialty	Medicaid Fee Schedule
10 - Mental Health	*	Default
19 - Other Medical Professionals	04, 84, 85, 87 - Audiology and Therapists	20110711_PRIV_THERAPY_AUDIOL_FEE_SCH OR
19 - Other Medical Professionals	06 (Midwife), 86 (Nurse Practitioner & Physician Assistant)	20110711_SCH_BASED_THERAPY_AUDIOL_FEE_SCH
19 - Other Medical Professionals	All Other	20110711_PHYS_FAM_PRACT_SCHED (80% of fee schedule amounts)
20 - Physician, Osteopath Ind.	12 - Family Practice	Default
20 - Physician, Osteopath Ind.	14 - General Practice	20110711_PHYS_FAM_PRACT_SCHED
20 - Physician, Osteopath Ind.	15 - Geriatrics	20110711_PHYS_FAM_PRACT_SCHED
20 - Physician, Osteopath Ind.	19 - Internal Medicine	20110711_PHYS_FAM_PRACT_SCHED
20 - Physician, Osteopath Ind.	26 (Obstetrics), 27 (Obstetrics & Gynecology)	20120101_PHYS_OB_SCHED
20 - Physician, Osteopath Ind.	32 - Osteopathy	20110711_PHYS_FAM_PRACT_SCHED
20 - Physician, Osteopath Ind.	40 - Pediatrics	20110711_PHYS_FAM_PRACT_SCHED
20 - Physician, Osteopath Ind.	41 - Pediatrics, Allergy	20110711_PHYS_FAM_PRACT_SCHED
20 - Physician, Osteopath Ind.	42 - Cardiology	20110711_PHYS_FAM_PRACT_SCHED
20 - Physician, Osteopath Ind.	53 - Neonatologist	20120101_NEONATOLOGIST_SCHED
20 - Physician, Osteopath Ind.	AA - Pediatric Subspecialist	20120101_PEDIATRIC_SCHED
20 - Physician, Osteopath Ind.	All Other	Default
22 - Medical Clinics	89, 95 - Developmental Rehab	20110711_PRIV_THERAPY_AUDIOL_FEE_SCH OR
22 - Medical Clinics	96 - FP, Maternal & Child Health	20110711_SCH_BASED_THERAPY_AUDIOL_FEE_SCH
22 - Medical Clinics	All Other	20110711_PHYS_FAM_PRACT_SCHED
32 - Opticians	*	Default
33 - Optometrist, Ind.	*	Default
35 - Podiatrist, Ind.	*	Default
37 - Chiropractor	*	Default
60 - Home Health	*	Default
76 - Durable Medical Equipment	*	20120701_DME_FEE_SCHED
80 - Independent Laboratory	*	20120101_INDEP_LAB_SCHED
81 - X-Ray	*	20120101_XRAY_SCHED

Notes:

1. An asterisk under Practice Specialty indicates that this row applies to any associated practice specialty.
2. If the service can not be found on the indicated Medicaid fee schedule, the Default Medicaid Fee Schedule is used.

Hierarchy used to construct Default Medicaid Fee Schedule - no duplicate procedure code/modifier combinator

Priority	Medicaid Fee Schedule	Fee Schedule Description
1	20120101_PHYS_OTHER_SCHED	Physicians excluding Obstetrics, OB/GYN, Maternal Fetal Medicine
2	20110711_PHYS_FAM_PRACT_SCHED	Family Practice, General Practice, Osteopath, Internal Medicine, Pediatrics, Geriatrics
3	20120101_PHYS_OB_SCHED	Obstetrics, OB/GYN, Maternal Fetal Medicine
4	20120101_PEDIATRIC_SCHED	Pediatric Subspecialist excluding Neonatologist
5	20120101_NEONATOLOGIST_SCHED	Neonatologist
6	20120101_XRAY_SCHED	Independent X-ray
7	20120101_INDEP_LAB_SCHED	Independent Lab
8	20120701_DME_FEE_SCHED	Durable Medical Equipment
9	20110711_INCON_SUPP_SCHED	Incontinence Supplies
10	20110711_PRIV_THERAPY_AUDIOL_FEE_SCH	Private Therapy Services
11	20110711_SCH_BASED_THERAPY_AUDIOL_FEE_SCH	School-based Therapy Services