

DHHS Proviso Report

33.11 Provider Reimbursement Rate Report

The following is submitted as required by Proviso 33.11 of the
SFY 2014 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.



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February 10, 2014

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 33.11 - PROVIDER REIMBURSEMENT RATE REPORT (CY 2013)

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 33.11. 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) 2013.

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, 2013 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 33.11, requires SCDHHS to prepare a provider reimbursement rate report. The following provides the associated language.

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.

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 2013, by category of service.

**Table 1
State of South Carolina
Department of Health and Human Services
Provider Reimbursement Rate Comparison- Calendar Year 2013
By Category of Service**

Category of Service	Medicaid Fee Schedule Compared to	
	Medicare	SHP
Surgery	73.9%	51.8%
Evaluation & Management	71.7%	73.5%
Maternity	124.0%	90.1%
Radiology	82.3%	45.5%
Pathology	79.5%	47.6%
Mental Health	76.2%	87.8%
Other Medical	59.6%	54.2%
Composite	73.2%	62.9%

As shown in Table 1, the South Carolina Medicaid fee schedule is 73.2% of the 2013 geographically-adjusted Medicare fee schedule and 62.9% of the SHP fee schedule on a composite basis.

Please note: the results displayed in Table 1 do not reflect any changes to physician reimbursement related to the enhanced primary care physician reimbursement increases for evaluation & management services as required under the Affordable Care Act (ACA).

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 2013.
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 analysis does not reflect any changes to physician reimbursement related to the enhanced primary care physician reimbursement increases for evaluation & management services as required under the Affordable Care Act (ACA).

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

- **2013 Medicaid fee schedules** – accessed from the SCDHHS website on 1/30/2014; 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 2013 fee schedule geographically adjusted for South Carolina obtained using the “physician fee lookup” function on the CMS website and the CY 2013 Clinical Lab fee schedule specific to South Carolina downloaded from the CMS website.
- **State employee fee schedule** – the CY 2013 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.
- 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.
- Effective 2/1/2013, SCDHHS bundled a number of psychiatric and substance abuse services and developed fee schedules for these packaged benefits. As a result, a number of service codes do not overlap with the Medicare fee schedules, which limits the comparative analysis for these services.

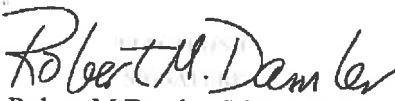
Due to these issues, the values shown in Table 1 should be interpreted with caution, since several procedure codes are excluded or have limited comparability.



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,


Robert M Damler, FSA, MAAA
Principal and Consulting Actuary

RMD/lrb
Enclosures



ENCLOSURE 1

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 Expenditures Compared to	Total Units	Total Medicaid Fee	Total Medicare Equivalent Cost	Medicaid Expenditures Compared to	Total Units	Total Medicaid Fee	Total Medicare Equivalent Cost	Medicare Expenditures Compared to
Surgery	Inpatient Surgery	39,749	\$ 11,511,117	\$ 15,253,581	75.5%	39,879	\$ 11,551,777	\$ 21,579,004	53.5%	40,123	\$ 11,740,614		
	Inpatient Surgery - Asst	956	737,255	988,916	74.6%	956	738,032	1,388,060	53.2%	965	739,587		
	Outpatient Surgery	133,259	24,146,217	32,303,104	74.7%	134,261	24,226,451	49,331,910	49.1%	134,388	24,349,378		
	Office Surgery	101,270	9,288,287	13,260,051	70.0%	102,398	9,357,342	16,293,136	57.5%	104,235	9,432,350		
	Sub Total	275,734	\$ 45,682,876	\$ 61,805,652	73.9%	277,494	\$ 45,883,603	\$ 88,592,110	51.8%	279,711	\$ 46,261,929		
Evaluation & Management	Hospital Visits	687,699	\$ 27,258,373	\$ 37,796,619	72.1%	687,667	\$ 27,256,257	\$ 31,829,552	85.6%	687,699	\$ 27,258,373		
	Office/Home Visits	2,617,929	141,187,683	202,418,476	69.8%	2,617,929	141,187,683	194,460,440	72.6%	2,617,942	141,188,219		
	Emergency Room Visits	560,060	38,807,702	48,930,286	79.3%	560,060	38,807,702	59,907,753	64.8%	560,279	38,809,923		
	Consults	-	-	-	0.0%	103,816	12,029,423	15,666,586	76.8%	103,816	12,029,423		
	Well Baby Exams	-	-	-	0.0%	211,445	13,588,931	16,784,981	81.0%	211,445	13,588,931		
Sub Total	1,248,892	\$ 906,216	\$ 1,115,429	81.2%	353,637	\$ 16,876,336	\$ 21,356,467	79.0%	353,960	\$ 16,885,134			
Maternity	Normal Deliveries	3,994,580	\$ 208,159,974	\$ 290,260,809	71.7%	4,534,554	\$ 249,746,332	\$ 340,005,778	73.5%	4,535,141	\$ 249,760,002		
	Cesarean Deliveries	17,842	\$ 19,461,473	\$ 13,368,298	145.6%	17,842	\$ 19,461,473	\$ 19,240,632	101.1%	17,842	\$ 19,461,473		
	Non Del. Services	8,995	9,002,500	7,602,043	118.4%	8,995	9,002,500	9,687,826	92.9%	8,995	9,002,500		
		48,931	2,875,248	4,308,323	66.7%	48,931	2,875,248	5,835,252	49.3%	48,935	2,875,734		
	Sub Total	75,768	\$ 31,339,221	\$ 25,278,665	124.0%	75,768	\$ 31,339,221	\$ 34,763,717	90.1%	75,772	\$ 31,339,707		
Radiology	Radiology Inpatient	9	\$ 242	\$ 297	81.5%	11	\$ 415	\$ 882	47.1%	11	\$ 415		
	Outpatient General	121,040	2,086,125	2,547,705	81.9%	120,803	2,113,663	5,507,365	38.4%	121,445	2,121,235		
	Outpatient CT/MRI/PET	378,461	6,198,194	7,639,655	81.1%	378,478	6,199,870	16,551,607	37.5%	378,481	6,200,191		
	Office General	30,201	1,805,431	2,158,647	83.6%	30,201	1,805,431	4,765,955	37.9%	30,212	1,806,804		
	Office CT/MRI/PET	292,261	18,607,322	22,871,448	81.4%	297,986	19,056,934	37,765,333	50.5%	298,097	19,081,085		
Sub Total	13,455	\$ 3,264,304	\$ 3,625,942	90.0%	13,559	\$ 3,338,655	\$ 6,870,173	48.6%	13,568	\$ 3,342,537			
Pathology	Pathology Inpatient	835,427	\$ 31,961,618	\$ 38,843,693	82.3%	841,038	\$ 32,514,969	\$ 71,461,314	45.5%	841,814	\$ 32,552,268		
	Outpatient General	5,078	\$ 39,778	\$ 49,949	79.6%	5,078	\$ 39,778	\$ 91,185	43.6%	5,078	\$ 39,778		
	Outpatient Office	35,539	1,143,247	1,504,035	76.0%	35,595	1,144,079	3,842,607	29.8%	35,600	1,144,149		
		1,395,100	24,262,853	31,040,894	78.2%	1,402,600	24,305,545	48,667,828	49.9%	1,457,828	25,445,360		
	Sub Total	2,679,581	\$ 36,964,612	\$ 46,485,345	79.5%	2,703,217	\$ 37,295,558	\$ 78,335,106	47.6%	2,763,815	\$ 38,513,935		
Psych	Outpatient Psychiatric	331,639	\$ 20,681,489	\$ 27,139,020	76.2%	3,710	\$ 225,939	\$ 257,363	87.8%	631,069	\$ 27,102,371		
	Outpatient Alcohol/Drug	346	8,075	8,200	98.5%	-	-	-	0.0%	101,045	4,082,008		
	Sub Total	331,985	\$ 20,689,564	\$ 27,147,221	76.2%	3,710	\$ 225,939	\$ 257,363	87.8%	732,114	\$ 31,184,380		

State of South Carolina
 Department of Health & Human Services
 2013 Medicaid Fee Schedule by Major Category of Service

Category of Service	Services Present in Medicare and Medicaid Fee Schedules				Services Present in State E/E Plan and Medicaid Fee Schedules				Services Present in Medicaid Fee Schedule	
	Medicare Expenditures Compared to		Medicaid Expenditures Compared to		Medicare Expenditures Compared to		Medicaid Expenditures Compared to		Total Units	Total Medicaid Fee
	Total Units	Total Medicaid Fee	Total Units	Total Medicaid Fee	Total Units	Total Medicaid Fee	Total Units	Total Medicaid Fee	Total Units	Total Medicaid Fee
Urgent Care	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Therapeutic Injections	472,161	2,028,482	375	167	472,161	2,028,482	375	167	7,535	17,886
Allergy Testing	542,173	4,580,579	449	61,346	542,173	4,580,579	449	61,346	472,161	2,028,482
Allergy Immunotherapy	655,425	14,854,048	2,594	79,918	613,154	14,222,740	2,594	79,918	542,173	4,580,579
Physical Therapy	127,372	2,584,659	796	20,760	127,372	2,582,895	796	20,760	655,445	14,854,220
Cardiovascular	1,666	50,292	1,676	50,677	1,676	50,677	1,676	50,677	127,383	2,590,414
Chiropractor	10,805	39,758	10,805	39,758	10,805	39,758	10,805	39,758	1,676	50,677
Immunizations	112,064	9,066,397	112,207	9,076,303	112,207	9,076,303	112,207	9,076,303	10,805	39,758
Vision Exams	1,543,596	25,496,322	6,437	386,969	1,553,275	25,582,598	6,437	386,969	206,861	11,405,428
Hearing/Speech Exams	6,300	380,231	6,300	380,231	6,300	380,231	6,300	380,231	1,554,664	25,604,796
Podiatrist	170,223	408,526	170,223	408,526	170,223	408,526	170,223	408,526	6,492	388,048
Miscellaneous Medical	3	74	3	74	3	74	3	74	0.0%	-
Venipuncture	449	61,346	449	61,346	449	61,346	449	61,346	0.0%	-
Biofeedback	12,638	530,353	12,638	530,353	12,638	530,353	12,638	530,353	46.1%	408,526
Gastroenterology	2,594	79,918	2,594	79,918	2,594	79,918	2,594	79,918	0.0%	74
Ophthalmology	796	20,760	796	20,760	796	20,760	796	20,760	58.3%	61,346
Otorhinolaryngology	17,609	961,805	17,609	961,805	17,609	961,805	17,609	961,805	57.7%	530,413
Vestibular Function Tests	80,781	1,016,437	80,781	1,016,437	80,781	1,016,437	80,781	1,016,437	54.6%	79,976
Non-Invasive Vascular Diagnostic St	17,137	2,939,842	17,137	2,939,842	17,137	2,939,842	17,137	2,939,842	61.2%	796
Pulmonology	42,537	3,161,246	15,996	1,097,288	40,861	3,052,200	15,996	1,097,288	53.0%	17,609
Neurology	16,565	1,107,386	2	167	16,565	1,107,386	2	167	46.5%	961,805
Central Nervous System Tests	6,942	364,297	6,942	364,297	6,942	364,297	6,942	364,297	81.431	1,035,887
Chemotherapy	355	7,892	355	7,892	355	7,892	355	7,892	64.3%	3,060,173
Photodynamic Therapy	2	167	2	167	2	167	2	167	80.6%	3,402,167
Dermatology	6,942	364,297	6,942	364,297	6,942	364,297	6,942	364,297	89.6%	1,181,341
Medical Nutrition Therapy	355	7,892	355	7,892	355	7,892	355	7,892	81.2%	167
Prescription Drugs	5,192	210,830	5,192	210,830	5,192	210,830	5,192	210,830	76.3%	364,297
Other Miscellaneous Services	3,845,385	69,951,645	9,169	265,923	3,815,082	69,476,685	9,169	265,923	0.0%	7,892
Sub Total	12,038,260	444,749,509	12,250,863	466,482,307	12,250,863	466,482,307	12,250,863	466,482,307	68.3%	10,777,555
Total	3,845,385	69,951,645	3,815,082	69,476,685	3,815,082	69,476,685	3,815,082	69,476,685	54.2%	83,452,667
	12,038,260	444,749,509	12,250,863	466,482,307	12,250,863	466,482,307	12,250,863	466,482,307	62.9%	513,064,887



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 20110711_PRIV_THERAPY_AUDIOL_FEE_SCH OR 20110711_SCH_BASED_THERAPY_AUDIOL_FEE_SCH
19 - Other Medical Professionals	04, 84, 85, 87 - Audiology and Therapists 06 (Midwife), 86 (Nurse Practitioner & Physician Assistant)	20130909_PHYS_FAM_PRACT_SCHED (80% of fee schedule amounts)
19 - Other Medical Professionals	All Other	Default
20 - Physician, Osteopath Ind.	12 - Family Practice	20130909_PHYS_FAM_PRACT_SCHED
20 - Physician, Osteopath Ind.	14 - General Practice	20130909_PHYS_FAM_PRACT_SCHED
20 - Physician, Osteopath Ind.	15 - Geriatrics	20130909_PHYS_FAM_PRACT_SCHED
20 - Physician, Osteopath Ind.	19 - Internal Medicine	20130909_PHYS_FAM_PRACT_SCHED
20 - Physician, Osteopath Ind.	26 (Obstetrics), 27 (Obstetrics & Gynecology)	20130909_PHYS_FAM_PRACT_SCHED
20 - Physician, Osteopath Ind.	32 - Osteopathy	20130909_PHYS_FAM_PRACT_SCHED
20 - Physician, Osteopath Ind.	40 - Pediatrics	20130909_PHYS_FAM_PRACT_SCHED
20 - Physician, Osteopath Ind.	41 - Pediatrics, Allergy	20130909_PHYS_FAM_PRACT_SCHED
20 - Physician, Osteopath Ind.	42 - Cardiology	20130909_PHYS_FAM_PRACT_SCHED
20 - Physician, Osteopath Ind.	53 - Neonatologist	20130909_PHYS_FAM_PRACT_SCHED
20 - Physician, Osteopath Ind.	AA - Pediatric Subspecialist	20130909_NEONATOLOGIST_SCHED
20 - Physician, Osteopath Ind.	All Other	20130909_PEDIATRIC_SCHED
22 - Medical Clinics	21 - Nephrology/ESRD	Default 20130101_XRAY_SCHED
22 - Medical Clinics	89, 95 - Developmental Rehab	20110711_PRIV_THERAPY_AUDIOL_FEE_SCH OR 20110711_SCH_BASED_THERAPY_AUDIOL_FEE_SCH
22 - Medical Clinics	96 - FP, Maternal & Child Health	20130909_PHYS_FAM_PRACT_SCHED
22 - Medical Clinics	All Other	Default
32 - Opticians	*	Default
33 - Optometrist, Ind.	*	Default
35 - Podiatrist, Ind.	*	Default
37 - Chiropractor	*	Default
60 - Home Health	*	Default
76 - Durable Medical Equipment	*	Default 20130101_DME_SCHED
80 - Independent Laboratory	*	20120101_INDEP_LAB_SCHED
81 - X-Ray	*	20130101_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	RBHS-DAODAS Provider - Rates eff 12-1-2013	Outpatient Mental Health and Substance Abuse*
2	20130909_PHYS_OTHER_SCHED	Physicians excluding Obstetrics, OB/GYN, Maternal Fetal Medicine
3	20130909_PHYS_FAM_PRACT_SCHED	Family Practice, General Practice, Osteopath, Internal Medicine, Pediatrics, Geriatrics
4	20130909_PHYS_OB_SCHED	Obstetrics, OB/GYN, Maternal Fetal Medicine
5	20130909_PEDIATRIC_SCHED	Pediatric Subspecialist excluding Neonatologist
6	20130909_NEONATOLOGIST_SCHED	Neonatologist
7	20130101_XRAY_SCHED	Independent X-ray
8	20120101_INDEP_LAB_SCHED	Independent Lab
9	20110711_INCON_SUPP_SCHED	Incontinence Supplies
10	20130101_DME_SCHED	Durable Medical Equipment
11	20110711_PRIV_THERAPY_AUDIOL_FEE_SCH	Private Therapy Services
12	20110711_SCH_BASED_THERAPY_AUDIOL_FEE_SCH	School-based Therapy Services

Notes:

- * In addition to Rehabilitative Behavioral Health Fee Schedule, Medicaid Bulletin # 13-008 from February 1, 2013 was used in the Outpatient Mental Health and Substance Abuse Fee Schedule development.