

June 12, 2007

Ms. Susan B. Bowling, Acting Director
South Carolina Department of Health & Human Services
P. O. Box 8206
Columbia, South Carolina 29202-8206

Dear Ms. Bowling:

We are pleased to inform you of the approval of South Carolina's Medicaid State Plan Amendment (SPA) 07-002. This Demonstration SPA is the first in the nation to offer Medicaid beneficiaries the option of enrolling in a high deductible Health Opportunity Account (HOA). This innovative program provides medical benefits through a high deductible plan in conjunction with an account from which beneficiaries direct their own care. This approval allows the State to provide another alternative delivery system for Medicaid eligibles. Enrollment is voluntary and generally is limited to Medicaid children and parents. The SPA is effective April 1, 2007.

This program will create patient awareness of the high cost of medical care; and provide incentives to seek preventive care services. It also encourages beneficiaries to assume a more proactive role in their health care, and it provides enrollment counselors and ongoing education activities. The program also incorporates the use of electronic transactions without the use of cash, and provides access to negotiated provider payment rates.

Beneficiaries will receive coverage of preventive care without regard to an annual deductible. They will also receive incentives to obtain appropriate preventive care including periodic health evaluations including annual physicals, routine prenatal and well-child care, and child and adult immunizations. If an individual loses Medicaid eligibility, this provision will allow the individual to use any remaining account balances (less 25%) for three years to purchase health insurance and for tuition expenses and job training. Initial implementation will be limited to 1,000 beneficiaries who are Richland County residents. The State will implement this program by geographic area and will comply with Federal requirements of advance public notice, which can include, but is not limited to State website posting or public service announcements.

We congratulate your State's pioneering efforts to implement the flexibility afforded to states under section 1938 of the Act for your Medicaid beneficiaries.

Ms. Susan B. Bowling
June 12, 2007
Page 2

A formal hard copy of the SPA and the 179 will follow in the mail. If you have any questions, please contact Ms. Elaine Elmore at (404) 652-7408.

Sincerely,

A handwritten signature in black ink that reads "Renard L. Murray". The signature is written in a cursive style with a large initial "R".

Renard L. Murray, D.M.
Associate Regional Administrator
Division of Medicaid and Children's Health Operations

cc: Cheryl Powell