

Aug. 1, 2025

# PUBLIC NOTICE

## **Public Notice of Proposed Action for Inpatient and Outpatient Hospital Services Payment Methodology Changes to the APR-DRG Classification System and Graduate Medical Education Program**

The South Carolina Department of Health and Human Services (SCDHHS) gives notice of the following proposed actions to change the payment methodology for inpatient and outpatient hospital services through Title XIX of the Social Security Act Medical Assistance Program (Medicaid).

Effective on or after Oct. 1, 2025, SCDHHS proposes to amend the South Carolina Title XIX State Plan as follows:

1. The agency proposes to update the classification system used to reimburse inpatient hospital services from version 32 of the Solventum™ (formerly 3M™) All Patient Refined Diagnosis Related Groups (APR-DRGs) classification system to version 42 of the APR-DRGs classification system. Qualified providers of inpatient hospital services paid by APR-DRGs include general acute care hospitals, including distinct part units of general acute care hospitals, and long-term acute care hospitals. Updated hospital-specific base rates and other payment system parameters under version 42 of the APR-DRG classification system were modeled to achieve budget neutrality relative to the current payment system based on version 32 of the APR-DRGs, for each hospital individually and in the aggregate for all hospitals.
2. The agency is proposing to create three new graduate medical education (GME) programs, transitioning away from its historical claims-based reimbursement structure.
  - a. South Carolina GME Program: This program provides per resident FTE funding to support existing GME costs using a standardized statewide methodology.
  - b. Optional Public Hospital GME Program: This voluntary program offers public hospitals the opportunity to further support the cost of GME in South Carolina.
  - c. Physician Residency Incentive Program: This program is designed to increase the number of physicians trained in high-need specialties, with particular focus on improving access to care for the Medicaid population and underserved communities. The program provides financial incentives to hospitals that expand their residency training capacity in strategically selected specialties facing the most significant workforce shortages.
3. The agency proposes to remove GME components from the outpatient multipliers and inpatient per discharge rates.

Based on the actions above, SCDHHS anticipates a budget impact of approximately \$74.7 million total dollars related to the update to the method for reimbursing GME. SCDHHS does not anticipate the update to Version 42 of the APR-DRG classification system will result in a material budget impact.

Copies of this notice are available at each county SCDHHS office and at [www.scdhhs.gov](http://www.scdhhs.gov) for public review. Additional information regarding this proposed action is available upon request at the address cited below.

Written comments may be sent to SCDHHS, Division of Acute Care/Ancillary Reimbursements, Post Office Box 8206, Columbia, South Carolina 29202-8206. Comments may also be submitted to [comments@scdhhs.gov](mailto:comments@scdhhs.gov). All comments must be received by Aug. 31, 2025.

Any written comments submitted may be reviewed by the public at the Division of Acute Care/Ancillary Reimbursements, SCDHHS, Jefferson Square Building, 1801 Main Street, Columbia, South Carolina, Monday through Friday between the hours of 9 a.m. and 5 p.m.

Eunice Medina  
Director

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You can also file a civil rights complaint with the U.S. Department of Health and Human Services, Office for Civil Rights, electronically through the Office for Civil Rights Complaint Portal, available at <https://ocrportal.hhs.gov/ocr/portal/lobby.jsf> or by mail or phone at: U.S. Department of Health and Human Services, 200 Independence Avenue, SW, Room 509F, HHH Building, Washington, D.C. 20201 or by phone at: 800-368- 1019, 800-537-7697 (TDD). Complaint forms are available at <http://www.hhs.gov/ocr/office/file/index.html> .