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State/Territory Name: South Dakota

State Plan Amendment (SPA) #: SD-10-003

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) 179
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850



Center for Medicaid , CHIP, and Survey & Certification

Mr. Larry Iversen, Administrator
Medical Services
Department of Social Services
Kneip Building
700 Governors Drive
Pierre, SD 57501-2291

AUG 3 1 2010

RE: South Dakota 10-003

Dear Mr. Iversen:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 10-003. Effective for services on or after June 23, 2010, this amendment updates State plan language by adjusting the payment amounts to qualifying disproportionate share hospitals so that total expenditures remain within the appropriated amount.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(13), 1902(a)(30), 1903(a) and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment 10-003 is approved effective June 23, 2010. We are enclosing the HCFA-179 and the amended plan page.

If you have any questions, please contact Christine Storey at (303) 844-7044.

Sincerely,

A solid black rectangular box redacting the signature of the sender.

Cindy Mann
Director, CMCS

cc: Deborah K. Bowman, Secretary
Department of SD Social Services

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

1. TRANSMITTAL NUMBER:
10-3

2. STATE:
SOUTH DAKOTA

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:
June 23, 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:

**1902(a)(13)(A), 1902(a)(30), and 1923 of the Act, and 42
CFR 447 Subpart C**

7. FEDERAL BUDGET IMPACT:

FFY10—(\$545,242)

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A, Page 7

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION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

Attachment 4.19-A, Page 7

10. SUBJECT OF AMENDMENT:

**This State Plan Amendment updates inpatient hospital reimbursement methodology for the
Disproportionate Share Hospital program so the program's expenditures will be within the budgeted total.**

11. GOVERNOR'S REVIEW (Check One):

- GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS SPECIFIED.
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Deborah K. Bowman

14. TITLE:

Department Secretary

15. DATE SUBMITTED:

6/17/10

16. RETURN TO:

**Department of Social Services
Division of Medical Services
700 Governors Drive
Pierre SD 57501-2291**

17. DATE RECEIVED:

FOR REGIONAL OFFICE USE ONLY

18. DATE APPROVED

8-31-10

19. EFFECTIVE DATE OF APPROVED MATERIAL:

JUN 23 2010

21. TYPED NAME:

William Lasowski

22. TITLE:

Deputy Director, CMCS

23. REMARKS:

Group 2, psychiatric hospitals operated by the State of South Dakota; and
Group 3, other hospitals (any hospital not in Group 1 or 2).

Payments to Group 1 hospitals qualifying under the Medicaid inpatient utilization method will be based on the standard deviation that a facility's qualifying rate exceeds the Medicaid inpatient utilization mean for all participating hospitals. Payments to Group 1 hospitals qualifying under the low-income utilization method will be based on the standard deviation that a facility's qualifying rate exceeds the low-income utilization mean for all participating hospitals. Payments will be made according to the following schedule:

If the qualifying rate is greater than the mean rate to less than 1 standard deviation above the mean--\$19,073.41;

If the qualifying rate is 1 standard deviation above the mean to less than 2 standard deviations above the mean--\$38,146.82;

If the qualifying rate is 2 standard deviations above the mean to less than 3 standard deviations above the mean--\$57,220.24; and

If the qualifying rate is 3 or more standard deviations above the mean--\$76,293.65.

The amount of payment for each hospital is calculated as follows:

The Department determines the number of facilities qualifying at greater than the mean, greater than 1 standard deviation above the mean, greater than 2 standard deviations above the mean, and greater than 3 standard deviations above the mean. The total amount of funding budgeted for disproportionate share payments is then allocated starting with those facilities qualifying at greater than the mean. Facilities qualifying at greater than 1 standard deviation, greater than 2 standard deviations, and greater than 3 standard deviations above the mean are paid double, triple, and quadruple, respectively, the amount for facilities qualifying at greater than the mean. The payment amounts are adjusted until all the budgeted funds are spent.

The proposed disproportionate share payment for each facility is then compared to the payment limit that has been established for each facility. If the payment limit is less than the proposed disproportionate share payment, then the payment limit amount will be the disproportionate share payment for that particular facility. The sum of the payments made to the facilities where the payment limit was met is then subtracted from the total amount budgeted. The remaining budgeted funds are then allocated equally among the facilities where the payment limits have not been met. The subsequent allocation again is determined to ensure that facilities qualifying at greater than 1 standard deviation, greater than 2 standard deviations, and greater than 3 standard deviations above the mean are paid double, triple, and quadruple, respectively, the amount for facilities qualifying at greater than the mean.

Payments to Group 2 hospitals qualifying under the Medicaid inpatient utilization method will be based on the standard deviation that a facility's qualifying rate exceeds the Medicaid inpatient utilization mean for all participating hospitals. Payments to Group 2 hospitals qualifying under the low-income