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State/Territory Name: South Dakota

State Plan Amendment (SPA) #: SD-10-005

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

SEP 16 2010

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

RE: South Dakota 10-005

Dear Mr. Iversen:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 10-005. Effective for services on or after July 1, 2010, this amendment updates the inpatient hospital reimbursement methodology pertaining to the elimination of in-state hospital cost settlements. In addition, this amendment reduces the percentage of reimbursement available for out-of-state hospitals.

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 10-005 is approved effective July 1, 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 Cindy Mann.

Cindy Mann
Director, CMCS

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

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: HEALTH CARE FINANCING ADMINISTRATION	1. TRANSMITTAL NUMBER: 10-5	2. STATE SOUTH DAKOTA
	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 July 1, 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: 42 CFR 430.10, 447.250-447.252, 447.256-447.272	7. FEDERAL BUDGET IMPACT: a. FFY10: -\$376,950 b. FFY11: -\$1,381,950
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A, Page 1	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-A, Page 1


10. SUBJECT OF AMENDMENT:
This is a State Plan Amendment to update inpatient hospital reimbursement methodology pertaining to cost settlements.

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: 	16. RETURN TO: Department of Social Services Division of Medical Services 700 Governors Drive Pierre SD 57501-2291
13. TYPED NAME: Deborah K. Bowman	
14. TITLE: Department Secretary	
15. DATE SUBMITTED:	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:	18. DATE APPROVED: 9-16-10
PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL - 1 2010	
21. TYPED NAME: William Lasowski	22. TITLE: Deputy Director, CMCS
23. REMARKS:	

INPATIENT HOSPITAL PAYMENT METHODOLOGY

INTRODUCTION

The South Dakota Medicaid Program has been reimbursing hospitals for inpatient services, with a few exceptions, under a prospective Diagnosis Related Group (DRG) methodology since January 1, 1985.

GENERAL

South Dakota has adopted the federal definitions of DRGs, the DRG classifications, weights, geometric mean length of stay, and outlier cutoffs as used for the Medicare prospective payment system. The grouper program is updated annually as of October 1 of each year. Beginning with the Medicare grouper version 15 (effective October 1, 1997), South Dakota Medicaid Program specific weight and geometric mean length of stay factors will be established using the latest three years of non-outlier claim data. This three year claim database will be updated annually in order to establish new weight and geometric length of stay factors with each new grouper.

Hospital specific costs per Medicaid discharge amounts were developed for all in-state hospitals using Medicare cost reports and non-outlier claim data for these hospitals' fiscal year ending after June 30, 1996 and before July 1, 1997. An inflation factor, specific to the hospitals' fiscal year end, was applied to the cost per discharge amounts of all hospitals with more than thirty (30) Medicaid discharges during the base year to establish target amounts for the period of October 1, 2009 through September 30, 2010.

A cap on the target amounts has been established. Under this cap no hospital will be allowed a target amount that exceeds 110% of the statewide weighted average of all target amounts.

Out-of-state hospitals will be reimbursed on the same basis as the hospital is paid by the Medicaid agency in the state in which the hospital is located. If the hospital's home state refuses to provide the amount they would pay for a given claim, payment will be at 50% of billed charges. Payment will be for individual discharge or transfer claims only; there will be no annual cost settlement with out-of-state hospitals or with in-state DRG hospitals unless an amount is due the South Dakota Medicaid program.

SPECIFIC DESCRIPTION

Target amounts for non-outlier claims were established by dividing the hospital's average cost per discharge for non-outlier claims by the hospital's case mix index. To ensure budget neutrality, a hospital's target amount will be adjusted annually for any change in that hospital's case mix index resulting from the establishment of new program specific weight factors.

The case mix index for a hospital was calculated by accumulating the weight factors for all claims submitted during the base period and dividing by the number of claims.

TN # 10-5
Supersedes
TN # 09-12

Approval Date SEP 16 2010

Effective Date 7/01/10