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## Table of Contents

**State/Territory Name:** South Dakota

**State Plan Amendment (SPA) #:** SD-12-003

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 and CHIP Services (CMCS)

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JUL 11 2012

Ms. Kim Malsam-Rysdon  
Department Secretary  
Department of Social Services  
Division of Medical Services  
700 Governors Drive  
Pierre, SD 57501-2291

Re: South Dakota 12-003


Dear Ms. Malsam-Rysdon:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 12-003. Effective for services on or after July 1, 2012, this amendment modifies the reimbursement methodology for inpatient hospital services necessary to implement a method of pricing surgically implantable devices.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a) and 1923 of the Social Security Act (the Act) and the regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment TN 12-003 is approved effective July 1, 2012. The CMS-179 and the amended plan page are attached.

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

Sincerely,



Cindy Mann  
Director, CMCS

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

1. TRANSMITTAL NUMBER:  
12 - 3

2. STATE:  
South Dakota

**FOR: CENTERS FOR MEDICARE & MEDICAID  
SERVICES**

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE  
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR  
CENTERS FOR MEDICARE & MEDICAID SERVICES  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE  
July 1, 2012

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 447.250 to 252

7. FEDERAL BUDGET IMPACT:  
a. FFY 2012: (\$274,848) savings  
b. FFY 2013: (\$1,099,390) savings

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A, Page 3

9. PAGE NUMBER OF THE SUPERSEDED PLAN  
SECTION OR ATTACHMENT (If Applicable):  
Attachment 4.19-A, Page 3

10. SUBJECT OF AMENDMENT:

This State Plan Amendment revises payment methodology for inpatient hospital services to implement a method of pricing surgically-implantable devices.

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:

KIM MALSAM-RYSDON

14. TITLE:

Department Secretary

15. DATE SUBMITTED: 4/27/12

16. RETURN TO:

DEPARTMENT OF SOCIAL SERVICES  
DIVISION OF MEDICAL SERVICES  
700 GOVERNORS DRIVE  
PIERRE, SD 57501-2291

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED:

JUL 11 2012

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

JUL - 1 2012

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

22. TITLE:

Deputy Director, CMCS

23. REMARKS:

**SERVICES COVERED BY DIAGNOSTIC RELATED GROUP PAYMENTS**

The State agency has adopted Medicare's definition of inpatient hospital services covered by DRG payment. Providers must submit claims for reimbursement for physician services on a separate CMS 1500 form.

**OUTLIER PAYMENTS**

The State agency will calculate additional payments to hospitals for discharges which meet the criteria of an "outlier," a case with extremely high charges which exceed cost outlier thresholds set by the agency. To qualify for a cost outlier payment, 70% of the claim's total billed charges must exceed the larger of the cost outlier amount published on the agency's website at <http://dss.sd.gov/sdmedx/includes/providers/feeschedules/dss/index.aspx> or 1.5 times the DRG payment for the claim. The additional payment allowed for a cost outlier will be 90% of the difference between 70% of billed charges and the larger of the published outlier amount or 1.5 times the DRG payment.

The total payment allowed for an outlier claim will be the DRG payment plus the outlier payment plus the daily capital/education amount for each day of the hospital stay.

**SURGICALLY-IMPLANTED DEVICES AND APPLIANCES**

The Medicaid program will reimburse claims submitted for inpatient hospital services by in-state acute care hospitals that had more than 30 Medicaid discharges during the hospitals' fiscal year ending after June 30, 1996, and before July 1, 1997, that are considered to be cost outlier claims as defined by ARSD 67:16:03:01(3) and contain revenue codes 275 or 278 according to the following guidelines:

1. The State agency will limit reimbursements for aggregate charges in excess of \$5,000 associated with revenue codes 275 or 278 to the providers' actual costs plus 10%; and
2. The agency will remove the aggregate charges for revenue codes 275 or 278 in excess of \$5,000 from the calculation of the claim and charges associated with the remainder of the claim will be reimbursed according to ARSD 67:16:03:06.

For use by the agency in the reimbursement calculations, the provider must submit to the agency as documentation copies of the suppliers' invoices for items associated with revenue codes 275 and 278.