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State/Territory Name: South Dakota

State Plan Amendment (SPA) #: 18-0003

This file contains the following documents in the order listed:

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

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



Financial Management Group

August 23, 2018

Lynne A. Valenti
Cabinet Secretary
Department of Social Services
700 Governors Drive
Pierre, South Dakota 57501-2291

Re: South Dakota 18-0003

Dear Ms. Valenti:

We have reviewed the proposed amendment to Attachment 4.19-A and 4.19-B of your Medicaid State plan submitted under transmittal number (TN) 18-0003. Effective for services on or after April 1, 2018, this amendment implements inflationary increases and also clarifies the reimbursement methodology for out of state specialty hospitals.

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 and the implementing Federal regulations at 42 CFR 447 Subpart C. We are pleased to inform you that Medicaid State plan amendment TN 18-0003 is approved effective April 1, 2018. The Form CMS-179 and the amended plan pages are attached.

If you have any questions, please contact Christine Storey at (303) 844-7044 or Kirstin Michel at 303-844-7036.

Sincerely,

A solid black rectangular box redacting the signature of Kristin Fan.

Kristin Fan
Director

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES	1. TRANSMITTAL NUMBER: SD-18-003	2. STATE: South Dakota
	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 April 1, 2018	

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 447.201, 42 CFR 447 Subpart C	7. FEDERAL BUDGET IMPACT: a. FFY 2018: \$609,003.50 b. FFY 2019: \$1,218,007.00
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A, page 1 and Attachment 4.19-B, Introduction page 1 and page 1a	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-A, page 1 and Attachment 4.19-B, Introduction page 1 and page 1a

10. SUBJECT OF AMENDMENT:

The amendment implements inflationary rate increases appropriated by the state during the 2018 legislative session and also clarifies the reimbursement methodology for out of state specialty hospitals.

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

13. TYPED NAME: Lynne A. Valenti	16. RETURN TO: DEPARTMENT OF SOCIAL SERVICES DIVISION OF MEDICAL SERVICES 700 GOVERNORS DRIVE PIERRE, SD 57501-2291
14. TITLE: Cabinet Secretary	
15. DATE SUBMITTED: June 8, 2018	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:	18. DATE APPROVED: AUG 23 2018
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PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: APR 01 2018	20. SIGNATURE:
21. TYPED NAME: Kristin Fan	22. TITLE: Director, FMC

23. REMARKS:

INPATIENT HOSPITAL PAYMENT METHODOLOGY

GENERAL

The South Dakota Medicaid program has reimbursed hospitals for inpatient services under a prospective Diagnosis Related Groups (DRGs) methodology, with a few exceptions, since January 1, 1985. The State uses the federal definitions of DRGs, classifications, weights, geometric mean lengths of stay, and outlier cutoffs. The DRG Grouper program has been updated annually as of October 1 of each year beginning with the Medicare grouper version 15 (effective October 1, 1997). The agency provides a link to Medicare's DRGs on its website at <http://dss.sd.gov/sdmedx/includes/providers/feeschedules/dss/index.aspx>. The agency calculates Medicaid-specific weight and geometric mean length of stay factors annually using the latest three years of non-outlier claim data, this three-year claims database updated annually to establish new weight and geometric length of stay factors with each new grouper.

The agency developed hospital-specific costs per Medicaid discharge amounts for all in-state hospitals using Medicare cost reports and non-outlier claims data for the hospitals' fiscal years ending after June 30, 1996 and before July 1, 1997. The agency applied an inflation factor, specific to each hospital's fiscal year end, 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 most recently completed federal fiscal year. There is a cap on the hospitals' target amounts, under which no hospital is allowed a target amount that exceeds 110% of the statewide weighted average of all target amounts.

South Dakota Medicaid reimburses out-of-state hospitals on the same basis as the Medicaid agencies in the states where the hospitals are located. If the hospital's home state refuses to provide the amount they would pay for a given claim, the payment will be at 44.15% of billed charges. Payment is for individual discharge or transfer claims only. Out of state specialty hospitals are reimbursed at 44.15% of billed charges unless otherwise approved by the state. There is no annual cost settlement with out-of-state hospitals or in-state DRG hospitals unless an amount is due the South Dakota Medicaid program.

For claims with dates of service beginning April 1, 2018, the reimbursement for in-state DRG hospitals and all out-of-state hospitals not paid the above-stated percentage of charges is increased by 0.5 percent over what the calculated amounts were for State fiscal year 2017 after any cost sharing amount due from the patient and any third party liability amounts have been deducted, and after computation of any cost outlier payment. The agency will increase reimbursements to South Dakota hospitals classified as Medicare Critical Access or Medicaid Access Critical by 0.5 percent for claims with dates of service on and after April 1, 2018.

SPECIFIC DESCRIPTION

Each year the agency calculates a hospital's target amounts for non-outlier claims by dividing the hospital's average cost per discharge for non-outlier claims by the hospital's case mix index. To ensure budget neutrality, the agency adjusts annually a hospital's target amount for any change in that hospital's case mix index resulting from the establishment of new program specific weight factors. For each hospital, the case mix index is the calculated result of accumulating the weight factors for all claims submitted during the base period and dividing by the number of claims.

TN # 18-003
Supersedes
TN # 16-003

Approval Date AUG 23 2018

Effective Date 04/01/18

ATTACHMENT 4.19-B
INTRODUCTION

Payment rates for the services listed below are effective for services provided on or after the corresponding date. Fee schedules are published on the Department's website at <http://dss.sd.gov/medicaid/providers/feeschedules/>. Effective dates listed on the introductory page supersede the effective dates listed elsewhere in Attachment 4.19-B. Unless otherwise noted in the referenced state plan pages, reimbursement rates are the same for both governmental and private providers.

Service	Attachment	Effective Date
Early and Periodic Screening, Diagnosis, and Treatment (EPSDT)	Attachment 4.19-B, Page 4	April 1, 2018
Physician Services	Attachment 4.19-B, Page 6	April 1, 2018
Optometrist Services	Attachment 4.19-B, Page 9	April 1, 2018
Chiropractic Services	Attachment 4.19-B, Page 10	April 1, 2018
Home Health Services	Attachment 4.19-B, Page 12	April 1, 2018
Durable Medical Equipment	Attachment 4.19-B, Page 13	April 1, 2018
Clinic Services	Attachment 4.19-B, Page 15	April 1, 2018
Dental Services	Attachment 4.19-B, Page 16	April 1, 2018
Physical Therapy	Attachment 4.19-B, Page 17	April 1, 2018
Occupational Therapy	Attachment 4.19-B, Page 18	April 1, 2018
Speech, Hearing, or Language Disorder Services	Attachment 4.19-B, Page 19	April 1, 2018
Dentures	Attachment 4.19-B, Page 21	April 1, 2018
Prosthetic Devices	Attachment 4.19-B, Page 22	April 1, 2018
Eyeglasses	Attachment 4.19-B, Page 23	April 1, 2018
Diabetes Self-Management Training	Attachment 4.19-B, Page 26	April 1, 2018
Nurse Midwife Services	Attachment 4.19-B, Page 31	April 1, 2018
Transportation	Attachment 4.19-B, Page 38	April 1, 2018
Personal Care Services	Attachment 4.19-B, Page 38	April 1, 2018
Freestanding Birth Centers	Attachment 4.19-B, Page 39	April 1, 2018
Professional Services Provided in a Freestanding Birth Center	Attachment 4.19-B, Page 39	April 1, 2018

ATTACHMENT 4.19-B
PAYMENTS FOR MEDICAL AND REMEDIAL CARE AND SERVICES

South Dakota Medicaid will make payments to medical providers who sign agreements with the State under which the provider agrees: (a) to accept as payment in full the amounts paid in accordance with the payment structures of the State; (b) to keep such records as are necessary to fully disclose the extent of the services provided to individuals receiving assistance under the State Plan; and (c) to furnish the State Agency with such information, regarding any payments claimed by such person or institution for services provided under the State Plan, as the agency may request from time to time.

The following describes policy and methods the agency uses to establish payment rates for each type of care and service, other than inpatient hospital or nursing home services, included in the State Plan. In no instance will the amount of payment under the provisions of this attachment exceed the payment made by the general public for identical services.

1. Inpatient Hospital Services (See Attachment 4.19-A)
- 2a. Outpatient Hospital Services

Effective August 2, 2016, Medicare Prospective Payment System hospitals will be paid using the Medicaid Agency's Outpatient Prospective Payments System (OPPS). Under OPPS, services are reimbursed using Ambulatory Payment Classifications. Effective August 2, 2016, the Department will establish a conversion factor and discount factor specific to each hospital. The hospital specific conversion factor and discount factors are published on the State agency's website at <http://dss.sd.gov/medicaid/providers/feeschedules/dss/>. Effective April 1, 2018, Medicare Prospective Payment System hospitals paid using the Medicaid Agency's OPPS will be increased by 0.5 percent.

South Dakota Medicaid will pay remaining participating outpatient hospitals with more than 30 Medicaid inpatient discharges during the hospital's fiscal year ending after June 30, 1993 and before July 1, 1994 on the basis of Medicare principles of reasonable reimbursement with the following exceptions:

1. Costs associated with certified registered nurse anesthetist services are allowable costs. These costs are identified on the CMS 2552-10 on Worksheet A-8 and included in the facilities' costs.
2. All capital and education costs incurred for outpatient services are allowable costs. These costs are identified on the CMS 2552-10 on Worksheet D Part III and included in the facilities' costs.
3. Payments to Indian Health Service outpatient hospitals will be per visit and based upon the approved rates published each year in the Federal Register by the Department of Health and Human Services, Indian Health Service, under the authority of sections 321(a) and 322(b) of the Public Health Service Act (42 U.S.C. 248 and 249(b)), Public Law 83-568 (42 U.S.C. 2001(a)), and the Indian Health Care Improvement Act (25 U.S.C. 1601 et seq.). The State agency will make payments for visits of the same type of service on the same day at the same provider location only if the services provided are different or if they have different diagnosis codes.