

## **Financial Analysis Methods History**

South Dakota has an average participation in the health home program of 5,800 health home recipients per month. Due to the relatively small number of participants in comparison to other states, South Dakota created a methodology to work with small numbers. During SFY 2015, the state received a preliminary analysis indicating successful avoidance of Medicaid expenditures in the Health Homes Program. The analysis supported a reduction of 1.2 claims per member per month (PMPM). A full financial analysis was unable to be completed due to the limited data for the program available in SFY 2015.

After SFY 2016, the state determined there was enough historical data to begin a full financial analysis of avoided expenditures as a result of the Health Home program. Two methodologies were used in SFY 2016 to provide further confirmation that the Health Home program is successfully avoiding Medicaid expenditures. Both analyses yielded similar results.

Analytical Method 1 compared key measures of success such as ER visits, Hospital Admissions, and average recipient Medicaid spending per month between SFY2011 and SFY 2016. This method yielded a net avoidance of \$4.2 million in Medicaid spending in SFY 2016.

Analytical Method 2 used a more statistically rigorous (matched analysis) approach to identify a group of similar individuals not enrolled in the Health Home program and compared their spending to those enrolled in the program. This method yielded a net cost avoidance of \$5.6 million in Medicaid spending. In other words, the Medicaid budget would have been \$5.6 million dollars higher without the Health Home program.

Starting in CY2016, DSS moved the Health Home evaluation period from the state fiscal year to a calendar year to align with the CMS data measurement period more closely.

DSS found that the matched analysis was a better method of analysis and began to use this analysis in CY 2016 and plans to continue this methodology in upcoming years. In CY 2016-2021 the financial analysis used all recipients eligible who had ever received a core service. The thought was that this group of individuals had been impacted by the provision of a core service and as a result needed to remain as part of the intervention group.

For the CY 2022 analysis, only recipients who had received a core service in the past 24 months were used in the analysis. The thought was that eventually the impact of the provision of a core service would dissipate.