

---

## Table of Contents

**State/Territory Name:** South Dakota

**State Plan Amendment (SPA) #:** SD-16-0004

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
1961 Stout Street, Room 08-148  
Denver, CO 80294



**Region VIII**

---

August 26, 2016

Lynne Valenti, Secretary  
South Dakota Department of Social Services  
Richard F. Kneip Building  
700 Governors Drive  
Pierre, SD 57501-2291

RE: South Dakota #16-0004

Dear Ms. Valenti:

We have reviewed the proposed State Plan Amendment (SPA) submitted under transmittal number (TN) 16-0004. This State Plan Amendment removes obsolete language pertaining to outpatient hospital reimbursement used in State Fiscal Year 2016, replacing it with reimbursement methodology for State Fiscal Year 2017. This change implements South Dakota's State Fiscal Year 2017 legislative budget appropriations.

Please be informed that this State Plan Amendment was approved today with an effective date of July 1, 2016. We are enclosing the CMS-179 and the amended plan pages(s).

If you have any questions concerning this amendment, please contact Kirstin Michel at (303) 844-7036.

Sincerely,

A handwritten signature in cursive script that reads "Richard C. Allen".

Richard C. Allen  
Associate Regional Administrator  
Division of Medicaid & Children's Health Operations

cc: Brenda Tidball-Zeltinger, Deputy Secretary  
Ann Schwartz, Deputy Director

<b>TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL</b> <b>FOR: CENTERS FOR MEDICARE &amp; MEDICAID SERVICES</b>	<b>1. TRANSMITTAL NUMBER:</b> SD-16-004	<b>2. STATE:</b> South Dakota
	<b>3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)</b>	
<b>TO: REGIONAL ADMINISTRATOR</b> CENTERS FOR MEDICARE & MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES	<b>4. PROPOSED EFFECTIVE DATE</b> July 1, 2016	

**5. TYPE OF PLAN MATERIAL (Check One):**

NEW STATE PLAN     
  AMENDMENT TO BE CONSIDERED AS NEW PLAN     
  AMENDMENT

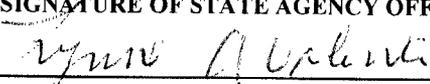
**COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)**

<b>6. FEDERAL STATUTE/REGULATION CITATION:</b>  42 CFR 430.10, 447.321 and 447.256-447.272	<b>7. FEDERAL BUDGET IMPACT:</b> a. FFY 2016: \$ 211,748.50 b. FFY 2017: \$ 635,245.50
<b>8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:</b>  Attachment 4.19-B, Page 1b	<b>9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):</b> Attachment 4.19-B, Page 1b

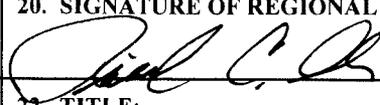
**10. SUBJECT OF AMENDMENT:**  
 This State Plan Amendment removes obsolete language pertaining to outpatient hospital reimbursement used in State Fiscal Year 2016, replacing it with reimbursement methodology for State Fiscal Year 2017. This change implements South Dakota's State Fiscal Year 2017 legislative budget appropriations.

**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

<b>12. SIGNATURE OF STATE AGENCY OFFICIAL:</b> 	<b>16. RETURN TO:</b>  DEPARTMENT OF SOCIAL SERVICES DIVISION OF MEDICAL SERVICES 700 GOVERNORS DRIVE PIERRE, SD 57501-2291
<b>13. TYPED NAME:</b>  Lynne A. Valenti	
<b>14. TITLE:</b> Cabinet Secretary	
<b>15. DATE SUBMITTED:</b> August 1, 2016	

**FOR REGIONAL OFFICE USE ONLY**

<b>17. DATE RECEIVED:</b> August 1, 2016	<b>18. DATE APPROVED:</b> August 26, 2016
<b>PLAN APPROVED - ONE COPY ATTACHED</b>	
<b>19. EFFECTIVE DATE OF APPROVED MATERIAL:</b>  July 1, 2016	<b>20. SIGNATURE OF REGIONAL OFFICIAL:</b> 
<b>21. TYPED NAME:</b>  Richard C. Allen	<b>22. TITLE:</b> ARA, DMCHO

**23. REMARKS:**

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

4. The agency will make prospective payments to outpatient hospitals based upon Medicare principles and the above exceptions using the CMS 2552-10 Report, Worksheet C, Part 1 lines 50-200 as submitted by the hospitals to determine the Medicare outpatient cost-to-charge ratios (CCRs) for the ancillary cost centers for each hospital. All participating hospitals must submit their Medicare cost reports to the agency within 150 days following the end of their fiscal year. For each hospital, the agency will use average of the ancillary CCRs for that hospital to calculate the hospital-specific reimbursement percentage to apply to outpatient charges from that hospital to determine the prospective Medicaid payment.

The remaining in-state hospitals will be reimbursed at 90% of billed charges. Hospitals' charges shall be uniform for all payers and may not exceed the usual and customary charges to private pay patients.

For claims with dates of service from July 1, 2016 through June 30, 2017, the amount of reimbursement for outpatient services in in-state DRG hospitals that meet the criteria to be designated as Medicare Critical Access or Medicaid Access Critical will be increased over the State Fiscal Year 2014 calculations by 3.0%. For outpatient services in in-state hospitals that do not meet those criteria, reimbursements will be increased by 2.7% over the State Fiscal Year 2016 calculations. Medicare Critical Access Hospitals are those that meet the criteria of the regulations at 42 CFR 485.606. Medicaid Access-Critical hospitals are those rural community hospitals which provide access to essential health service (emergency, primary, acute, and nursing care) within a service area where no other (or it is likely that no other) provider of such essential services exists.

Reimbursement for outpatient services at out-of-state hospitals is calculated at 38.2% of the hospitals' usual and customary charges.