



**DEPARTMENT OF SOCIAL SERVICES**  
DIVISION OF MEDICAL SERVICES  
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June 11, 2018

RE: South Dakota Medicaid State Plan Amendment #SD-18-005

The South Dakota Department of Social Services intends to make changes to the South Dakota Medicaid State Plan regarding graduate medical education (GME) including the establishment of a reimbursement methodology for in-state rural residency programs. Funding for the Rural Family Medicine Residency in Pierre was appropriated by the state legislature during the 2018 legislative session. The program was developed at the recommendation of the Governor's Primary Care Task Force to help address the need for more primary care physicians in rural communities. Participants in the rural family medicine residency will receive their first year of training in Sioux Falls and then complete their second and third years in Pierre. Development of a rural family medicine residency track to train six additional medical students (two per year) will help address health care workforce shortages in rural communities. Students educated and who complete their residencies in South Dakota are more likely to practice in rural South Dakota.

In addition to establishing a reimbursement methodology for in-state rural residency programs the State Plan Amendment (SPA) also clarifies notification requirements in the event a hospital terminates a GME program or determines it will no longer be applying for GME funding. The clarifications in the SPA do not alter the current GME reimbursement methodology.

We intend to make this SPA effective July 1, 2018. The Department estimates the federal fiscal impact will be \$58,032.00 in Federal Fiscal Year 2018 and \$174,096.00 in Federal Fiscal Year 2019.

Please contact me within 30 days of receipt of this message with any questions or comments.

Sincerely,

A handwritten signature in blue ink that reads 'Sarah Aker'.

Sarah Aker  
Deputy Director  
Division of Medical Services  
South Dakota Department of Social Services

CC: Lynne A. Valenti, Cabinet Secretary  
Brenda Tidball-Zeltinger, Deputy Secretary  
William Snyder, Director

## **Medicaid State Plan Amendment Proposal**

**Transmittal Number:** SD-18-005

**Effective Date:** 7/1/2018

**Brief Description:** This State Plan Amendment establishes a reimbursement methodology for in-state rural residency programs. It also clarifies notifications requirements in the event a hospital terminates a GME program or determines it will no longer be applying for GME funding.

**Area of State Plan Affected:** Attachment 4.19-A

**Page(s) of State Plan Affected:** Revises page 10 and adds page 10b

**Estimate of Fiscal Impact, if Any:** FFY18: \$58,032.00  
FFY19: \$174,096.00

**Reason for Amendment:** To establish a reimbursement methodology for in-state rural residency programs.

## HEALTH PROFESSION EDUCATION

The Department of Social Services supports the direct graduate medical education (GME) of health professionals through the use of Medicaid funds. All in-state, private hospitals which are accredited by the Accreditation Council for Graduate Medical Education (ACGME) are eligible for health profession education payments. Those hospitals are identified through the use of their most recently-filed Medicare 2552-10, cost reports. Specifically, worksheet E-4 (Line 1.00) is utilized to identify the number of weighted full-time equivalents for primary care physicians at participating facilities. The agency calculates the Medicaid hospital patient days using the Division of Medical Services (DMS) Cost Settlement Details report of adjudicated claims for the same period as the Medicare 2552 cost report.

Hospitals seeking GME payments must submit an application for the previous state fiscal year's costs to DMS prior to the end of the current state fiscal year. The agency will make payments for costs incurred in the previous state fiscal year, as defined below, annually prior to the end of the current state fiscal year. Payments will be made through the state's Medicaid Management Information System (MMIS) payment system. Payments will be made directly to the qualifying hospitals through a supplemental payment mechanism. The payment will appear on the facility's remittance advice. Each hospital will also receive written notification at the time of payment of the payment amount from DMS.

GME payments made in error will be recovered via a supplemental recovery mechanism and will appear on the facility's remittance advice. The agency will notify the facility in writing explaining the error prior to the recovery.

A hospital that applied for GME funding in the previous 24 months must provide written notice to DMS no less than 30 days prior to the effective date it intends to terminate operation of a GME program. A hospital must also provide timely written notice to DMS if it will not be applying for GME funding for the previous year's costs.

The agency will determine the annual payment pool for the upcoming state fiscal year prior to the start of the fiscal year on July 1. The pool will be distributed based upon the allocation percentage of each hospital. The hospital allocation percentage will be developed using prior year total Medicaid inpatient days and weighted intern and resident (I & R) full time equivalency (FTE). The state uses the prior year's cost report data as a proxy for the current year. For example, the state fiscal year 2008 calculation of allocations from the payment pool was the following:

	(a) Weighted I & R FTEs	(b) Medicaid Hospital Patient Days	(c) (a*b) Weighted FTE Days	(d) Hospital Allocation Percentage	Payment Pool Total
Hospital A	17	11,450	194,650	35.34%	\$1,052,009
Hospital B	22	10,692	232,230	42.16%	\$1,255,116
Hospital C	23	5,342	123,988	22.51%	\$670,107
Totals	62	27,484	550,868	100.00%	\$2,977,233

Total state funds available for payment through the pool are listed on the department's website, <http://dss.sd.gov/medicaid/providers/feeschedules/>.

TN# 18-05  
Supersedes  
TN# 15-5

Approval Date \_\_\_\_\_

Effective Date 07/01/18

## Rural Residency Program

In-state rural residency programs are eligible for payment of direct GME via a separate funding pool. The rural residency program must be accredited by the ACGME to be eligible for health profession education payments.

Costs must be submitted on a quarterly basis to validate costs for the previous quarter. Subsequent payments will be adjusted, as appropriate, based on actual cost experience. The payment will be made to the rural residency program through the MMIS system. Payments will be made directly to the qualifying program through a supplemental payment mechanism and will appear on their remittance advice. Each rural residency program will receive written notification at the time of payment of the payment amount from DMS.

GME payments made in error that cannot be adequately addressed through adjustment of future quarterly payments will be recovered via a supplemental recovery mechanism and will appear on the program's remittance advice. The agency will notify the facility in writing explaining the error prior to the recovery.

A program that applied for GME funding in the previous 12 months must provide written notice to DMS no less than 30 days prior to the effective date it intends to terminate operation of a GME program. A program must also provide timely written notice to DMS if it will no longer be applying for GME funding.

The agency will determine the annual rural residency program payment pool for the upcoming state fiscal year prior to the start of the fiscal year on July 1. The total state funds available for payment through the rural residency program pool are listed on the department's website, <http://dss.sd.gov/medicaid/providers/feeschedules/>.

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