

## South Dakota Federally Qualified Health Center (FQHC) and Rural Health Clinic (RHC) Services Rate Study – Workgroup Session Key Takeaways

**Date:** June 26, 2025

### Attendees:

- Jacob Parsons: South Dakota Association of Healthcare Organizations (SDAHO)
- Wade Erickson: Horizon Health Care
- Jesse Naze: Fall River Health Services
- Shelly Ten Napel: Community HealthCare Association of the Dakotas (CHAD)
- Shannon Bacon: Community HealthCare Association of the Dakotas (CHAD)
- Tim Trithart: Community Health Center of the Black Hills

### Session Objectives

A key component of stakeholder engagement is the formation of a stakeholder workgroup. PCG collaborated with the South Dakota Department of Social Services (DSS) to plan for workgroup participation, ensuring adequate representation across various factors such as provider type, services offered, patient populations served, payer mix, and provider size. As part of this effort, PCG conducted outreach and recruitment based on provider survey responses to assemble a diverse group of Federally Qualified Health Center (FQHC) and Rural Health Clinic (RHC) providers, along with two advocacy organizations: the Community HealthCare Association of the Dakotas (CHAD) and South Dakota Association of Healthcare Organizations (SDAHO).

The main objectives of the stakeholder workgroup session were as follows:

- Provide key FQHC and RHC stakeholders with an overview of the comprehensive rate study for FQHC and RHC services in South Dakota
- Encourage and facilitate provider participation in the rate study process
- Identify key challenges and areas for improvement in the FQHC and RHC space pertaining to current rates and policy

### Key Themes and Insights

#### 1. Stagnant Reimbursement Rates:

- a. Providers desired rates to reflect the current costs of providing services.
- b. Clinics have faced substantial cost increases, particularly in areas like dental services.

- c. Medicaid reimbursements typically cover only about one-third of the actual cost per visit.

**2. Staffing and Workforce Challenges:**

- a. Rural and frontier areas face significant staffing challenges due to housing shortages, geographic isolation, and limited patient volume. Even more urban locations, like Rapid City, struggle to compete with higher-paying employers such as urgent care centers and hospitals.
- b. Compensation demands are rising across nearly all provider types, including both direct care and support staff.
- c. Some organizations have introduced sign-on bonuses to remain competitive with larger healthcare systems, including urgent care clinics.

**3. Services Provided:**

- a. All services across the board are not adequately reimbursed, with current rates falling short of covering the full cost of care delivery.
- b. Telehealth usage varies widely—some clinics, especially FQHCs, use it extensively for behavioral health and specialist follow-ups, while others like RHCs use it minimally. Reimbursement inconsistencies and patient engagement challenges remain key barriers.
- c. Chronic care patients are becoming more common and are more time intensive in the FQHC/RHC setting.
- d. Chronic care management, pharmacy services, and social work/case management were also highlighted as distinct service areas that warrant focused attention.

**4. Operational Efficiency:**

- a. The reimbursement gap has forced all program enhancements and expansion to halt, and adding new services is currently not an option (i.e. behavioral health).
- b. High no-show rates—especially in mental health and certain rural clinics—are straining provider schedules, increasing operational inefficiencies, and driving unreimbursed costs for transportation and outreach efforts.

**5. Change in Scope of Services Policy:**

- a. For many years, changes to the scope of service policy have been inconsistent, and providers have lacked clarity regarding the rate methodology being used
- b. There is a lack of structured guidance and support provided. Providers desire a consistent policy that is laid out clearly in a public place, easy to understand, and to have a go-to state contact to reach out to with questions.
- c. The current reimbursement rates are the same across the board for many clinics. Providers desired a need for regular and inclusive rate reviews.

**6. Alternative Payment Models:**

- a. Providers desire cost-based reimbursement based on cost reports submitted to the state.
- b. There is growing interest in Value-Based Models (VBPs) and Alternative Payment Methodologies (APMs) among FQHCs and RHCs across the state, however a foundational framework is needed—one that builds upon the existing Prospective Payment System (PPS) rates.

### **Next Steps**

Stakeholder engagement is a foundational element of developing fair and transparent rates for all provider types. PCG will leverage insights from the stakeholder workgroup session to build on provider survey responses and help inform the development of the draft rate models. In addition, PCG has prioritized the top concerns raised by providers during the stakeholder workgroup session and will focus on addressing these key issues as we develop the rate model:

- Analyze current reimbursement rates that reflect a cost-based methodology
- Clarify the change in scope of service definition and current policy