



South Dakota Medicaid Critical Access Hospital Reimbursement Methodology Update

August 19, 2025

Housekeeping



MUTE

All lines have been muted
for the duration of this
webinar.



QUESTIONS

Feel free to ask questions
using the chat panel at any
point during today's
session.



RECORDING

This session is being
recorded.



HELP

Ask a question using the chat
panel or SD DSS.

Agenda

1. Introductions
2. Recap of Current Payment Methodologies
3. Recommended Payment Methodology Changes
4. Cost Settlement Process
5. Proposed Timelines
6. Q&A

Team

Department of Social Services Team

- Heather Petermann, Medicaid Director
- Matthew Ballard, Medicaid Deputy Director
- Claudean Hluchy, Deputy Finance Officer
- Renae Hericks, Policy and Programs Manager
- Lori Langdeaux, Provider Reimbursement and Audits Manager
- Josh Goeden, Provider Reimbursement and Audits

Myers And Stauffer Team

- Abbigail Kern
- Andrew Townsend
- Joe Gamis
- Tim Guerrant

Overview

- Current Medicaid in-state CAH reimbursement methodologies are resulting in a wide range of cost coverage outcomes ranging from approximately 60% cost coverage to approximately 200% cost coverage.
- Medicaid original proposed updating the methodology to more closely align w/ Medicare's cost-based reimbursement.
- Medicaid heard feedback from providers that the transition required longer glidepath for providers who were going to experience reductions in reimbursement and as a result updated methodology and modeling to introduce a phase-in plan.
- This meeting will provide on overview of the phase-in methodology, high-level examples of claims pricing, and review cost settlement details.

Recommended Payment Methodology Changes



Updated Inpatient Payment Methodologies

Hospital Type	Current Reimbursement Methodology	Updated Reimbursement Methodology
In State Critical Access Hospitals	MS-DRG or 95% UCC	Hospital Specific Percent of Charge Rate * UCC with Phase-In Approach
Out-of-State Critical Access Hospitals	44.15% UCC	APR-DRG

Recommended Inpatient Payment Methodology Changes

In State CAH – % UCC with Cost Settlement

Reimbursement Component	Updated Reimbursement Methodology
Rate	Hospital Specific Percent of Charge Rate (PCR) – Phase In Approach • 18 Months Paid at Prospective Interim Rate (starting January 1, 2026) • Hospital specific PCR set to 100% - 125% based on historical pay to cost ratio • Cost settlement process w/additional payment if below 100%. No recoupment. • After 18 Months (Starting July 1, 2027) • Hospital specific PCR set to 100% • Cost Settlement process
Charges	Usual and Customary Charges

Recommended Inpatient Payment Methodology Changes

In State CAH – % UCC with Cost Settlement Reimbursement Logic

Current Reimbursement Methodology	Reimbursement Logic	Updated Reimbursement Methodology	Reimbursement Logic
MS-DRG	$(\text{Target Amount} * \text{MS-DRG Weight}) + (\text{Capital Amount} * \text{Covered Days}) + \text{Outlier Payment} = \text{Total Claim Payment}$	Percent of UCC	$\text{Hospital Specific Percent of Charge Rate} * \text{Billed Charges} = \text{Interim Claim Payment}$
Percent of UCC	$\text{Percent UCC Rate} * \text{Billed Charges} = \text{Total Claim Payment}$		After Phase-In: Cost Settlement in aggregate for IP and OP services.

Recommended Inpatient Payment Methodology Changes

In State CAH – % UCC with Cost Settlement Claim Example

Current Reimbursement Methodology	Reimbursement Logic	Updated Reimbursement Methodology	Reimbursement Logic
MS-DRG	Billed Charges: \$6,500 Covered Days: 2 MS-DRG: 776 MS-DRG Weight: 0.6177 Target Amount: \$2,000 Capital Amount: \$250 Outlier = \$0 Total Claim Payment: $(\\$1,000 * 0.6177) + (\\$250 * 2) + \\$0 = \\$1,175$	Percent of UCC with Cost Settlement	Percent of Charge Rate: 68% Billed Charges: \$6,500 Interim Claim Payment: $(.68 * \\$6,500) = \\$4,420$

Recommended Inpatient Payment Methodology Changes

In State CAH – % UCC with Cost Settlement Claim Example

Current Reimbursement Methodology	Reimbursement Logic	Updated Reimbursement Methodology	Reimbursement Logic
Percent of UCC	Percent of Charge Rate: 95% Billed Charges: \$6,500 Total Claim Payment: $(.95 * \\$6,500) = \\$6,175$	Percent of UCC with Cost Settlement	Percent of Charge Rate: 68% Billed Charges: \$6,500 Interim Claim Payment: $(.68 * \\$6,500) = \\$4,420$

Updated Outpatient Payment Methodologies

Hospital Type	Current Reimbursement Methodology	Updated Reimbursement Methodology
In-state Critical Access Hospitals	Percent of Charge - Labs – Fee for Service - Some Surgeries – Fee for Service	Hospital Specific Percent of Charge Rate * UCC with Phase-In Approach
Out-of-State Hospitals	Percent of Charge - Labs – Fee for Service - Some Surgeries – Fee for Service	APC with Enhanced Base Rate

Recommended Outpatient Payment Methodology Changes

In State CAH – % UCC with Cost Settlement

Reimbursement Component	Updated Reimbursement Methodology
Rate	Hospital Specific Percent of Charge Rate • 18 Months Paid at Prospective Interim Rate (starting January 1, 2026) • Hospital specific PCR set to 100% - 125% based on historical pay to cost ratio • Cost settlement process w/additional payment if below 100%. No recoupment. • After 18 Months (Starting July 1, 2027) • Hospital specific PCR set to 100% • Cost Settlement process
Charges	Usual and Customary Charges

Recommended Outpatient Payment Methodology Changes

In State CAH – % UCC with Cost Settlement Lab Example

Line Number	Procedure Code	Current Reimbursement Methodology			Updated Reimbursement Methodology			
		Fee	Units	Payment	Charges	Estimated Cost	Hospital-Specific Percent of Charge	Payment
1	80053	\$ 10.56	1	\$ 10.56	\$ 192.00	\$ 54.86	32.00%	\$ 61.44
2	85025	\$ 7.77	1	\$ 7.77	\$ 129.00	\$ 36.86	32.00%	\$ 41.28
3	80061	\$ 13.39	1	\$ 13.39	\$ 129.00	\$ 36.86	32.00%	\$ 41.28
		\$ 31.72			\$ 450.00	\$ 128.58		\$ 144.00
		Total Claim Payment: \$31.72			Total Claim Payment: (\$450.00 * 32.00% = \$144.00)			

Recommended Outpatient Payment Methodology Changes

In State CAH – % UCC with Cost Settlement Example

Line Number	Procedure Code	Current Reimbursement Methodology				Updated Reimbursement Methodology			
		Fee	Units	Charges	Payment	Charges	Estimated Cost	Hospital-Specific Percent of Charge	Payment
1	80053	10.56	1	\$ 192.00	\$ 10.56	\$ 192.00	\$ 43.63	30.72%	\$ 58.98
2	86140	5.18	1	\$ 100.00	\$ 5.18	\$ 100.00	\$ 22.73	30.72%	\$ 30.72
3	85025	7.77	1	\$ 129.00	\$ 7.77	\$ 129.00	\$ 29.32	30.72%	\$ 39.63
4	0241U	142.63	1	\$ 546.00	\$ 491.40	\$ 546.00	\$ 124.07	30.72%	\$ 167.73
5	71046		1	\$ 428.00	\$ 385.20	\$ 428.00	\$ 47.65	30.72%	\$ 131.48
		\$ 900.11				\$ 1,395.00	\$ 267.40		\$ 428.54
		Lab Lines Payment: \$23.51				Interim Claim Payment: (\$1,395.00 * 30.72% = \$428.54)			
		90% of UCC Payment: \$876.60							
		Total Claim Payment: (\$23.51 + \$876.60 = \$900.11)							

Recommended Outpatient Payment Methodology Changes

In State CAH – % UCC with Cost Settlement Surgical Example

Line Number	Procedure Code	Current Reimbursement Methodology			Updated Reimbursement Methodology			
		ASC Group	ASC Rate	Payment	Charges	Estimated Cost	Hospital-Specific Percent of Charge	Payment
1	69436	3	\$ 449.17	\$ 449.17	\$ 2,483.00	\$ 501.54	36.36%	\$ 902.82
2	J3490			\$ -	\$ 2.69	\$ 0.65	36.36%	\$ 0.98
3	00926			\$ -	\$ 1,215.20	\$ 270.63	36.36%	\$ 441.85
4				\$ -	\$ 2,013.00	\$ 406.60	36.36%	\$ 731.93
					\$ 5,713.89	\$ 1,179.42		\$ 2,077.57
		Total Claim Payment: \$449.17			Interim Claim Payment: (\$5,713.89 * 36.36% = \$2,077.57)			

Cost Settlement Process



Cost Settlement Phase-in

- Annual Cost Report Submission
- Provider Reimbursement and Audit (PRA) Team Review
- No recoupment for payments in the phase-in
- Additional payment up to 100% if interim payments did not provide 100% cost coverage

Cost Settlement Process Overview

- Annual Cost Report Submission
- Provider Reimbursement and Audit (PRA) Team Review
- Amended Cost Reports & Audits
- Initial Percent of Charge Calculations
- Recalculation of Percent of Charge Rates

Cost Settlement Process Overview

Annual Cost Report Submission

- Critical Access Hospitals must submit their Medicare 2552-10 cost report to South Dakota Medicaid within 5 months of their fiscal year end (same submission timeline as Medicare).
 - Extensions: If a filing deadline extension is requested by the facility to Medicare, the extension request, and approval must be submitted to SD Medicaid as well.
 - Submission Package:
 - ECR and Print Image (PI) files
 - Revenue Code Crosswalk to Cost Report Cost Centers
 - Include allocation percents (if applicable)
 - If no crosswalk is supplied, a standard crosswalk will be utilized

Cost Settlement Process Overview

Review and Settlement

- All settlements will be completed on a State Fiscal Year (SFY) basis.
 - Claims Data = SFY
 - Cost Report = Most recent FY ending submitted at time of settlement

Cost Settlement Process Overview

Amended Cost Reports and Audits

- Amended cost reports may be submitted to correct material errors, but only within the given criteria:
 - Final settlement has not been issued to the provider.
 - Total estimated settlement difference is greater than \$10,000.
- If an internal or external audit reveals overpayment or underpayment, findings must be reported within 60 days or by the cost report due date, whichever is later (but not more than 2 fiscal years after the audit).

Interim Rate Setting

Initial Calculation of Hospital Specific Percent of Charge Rates

- Interim rates for in-state hospitals are set to a hospital specific percent of charge that is intended to pay close to 100% of costs prospectively.
- Methodology to establish the initial hospital specific CCR:
 - Medicaid claims are summarized to the Revenue Code level per hospital.
 - The 2552-10 Cost Report cost center Per Diems and CCRs are extracted.
 - Per Diems – Worksheet D-1 Part II
 - CCRs – Worksheet C, Part I
 - Summarized revenue code level detail is mapped to cost report cost centers using a standard crosswalk.
 - Routine Revenue Codes: The cost report per diem is multiplied by covered days to calculate estimated costs.
 - Ancillary Revenue Codes: The cost report CCR is multiplied by covered charges to calculate estimated costs.
 - Calculated Costs are divided by charges to generate the interim CCR.

Interim Rate Setting

Recalculation of Hospital Specific Percent of Charge Rates

- Every 2 state fiscal years, or as directed by the legislature, SD Medicaid will update each CAH's payment rate based on the last two cost settlements completed.
- Interim rate reviews can be requested if the provider experiences a material change in estimated costs or services provided.

Cost Settlement Next Steps

Release of trainings for the hospitals on the cost report submission process & requirements.

Next Steps



Next Steps

1. Updated modeling showing the phase-in methodology is available upon request by emailing DSS.Medicaid@state.sd.us.
2. Medicaid is continuing to work with the state IT team on system changes.
3. Administrative rule changes as well as submission of a state plan amendment processes to CMS for approval.

Q&A





Thank You

Contact Medicaid at DSS.Medicaid@state.sd.us

