

EXECUTIVE SUMMARY

Governor Daugaard convened the Health Care Solutions Coalition (HCSC) to develop a strategy to improve healthcare access and outcomes for American Indians that, along with changes in federal policy for funding Medicaid services for people eligible for services through Indian Health Services, will simultaneously produce general fund savings that can be leveraged to finance Medicaid expansion. The HCSC is a partnership between South Dakota Tribes, IHS, Medicaid service providers, South Dakota Legislators, and State agencies.

KEY ASPECTS OF MEDICAID TODAY

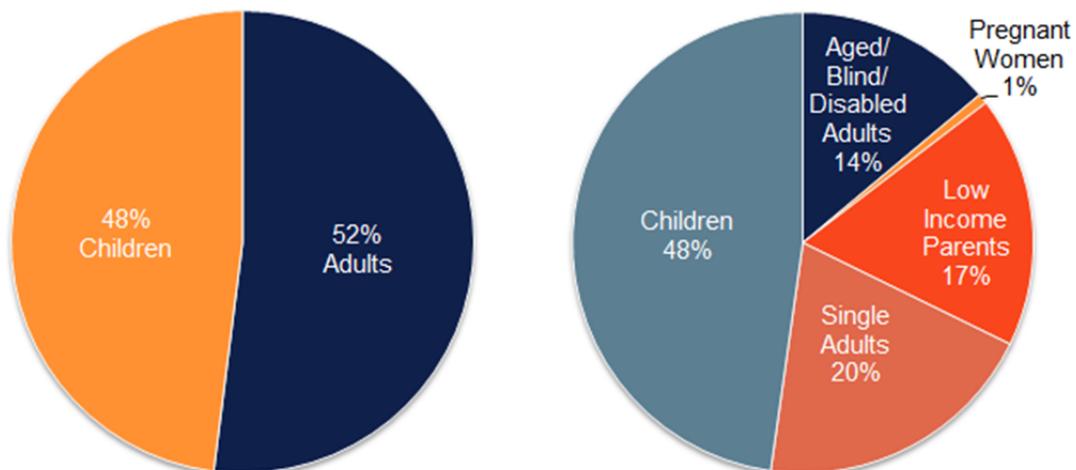
Medicaid is a State-Federal partnership with each entity sharing in financing. The amount of federal funding varies by state. In SFY 2016, South Dakota is responsible for 48.38% of Medicaid costs while the federal government pays the remaining 51.62%.

About 118,000 individuals are currently covered by South Dakota Medicaid during an average month. South Dakota has a conservative program; coverage for adults is limited to those with disabilities, pregnant women, and low income parents. Children make up the largest group of individuals receiving coverage at 68%.

MEDICAID EXPANSION IMPACT

Based on a survey completed in 2015, the Medicaid expansion population in South Dakota is estimated at 49,721 individuals. Approximately 30% of the expansion population is American Indian. One third of the expansion group is comprised of adults in low income families with incomes between 53-138% of the FPL. Two thirds of the expansion group will be a new group of single adults.

MEDICAID POPULATION AFTER EXPANSION



INDIAN HEALTH SERVICE (IHS) AND MEDICAID

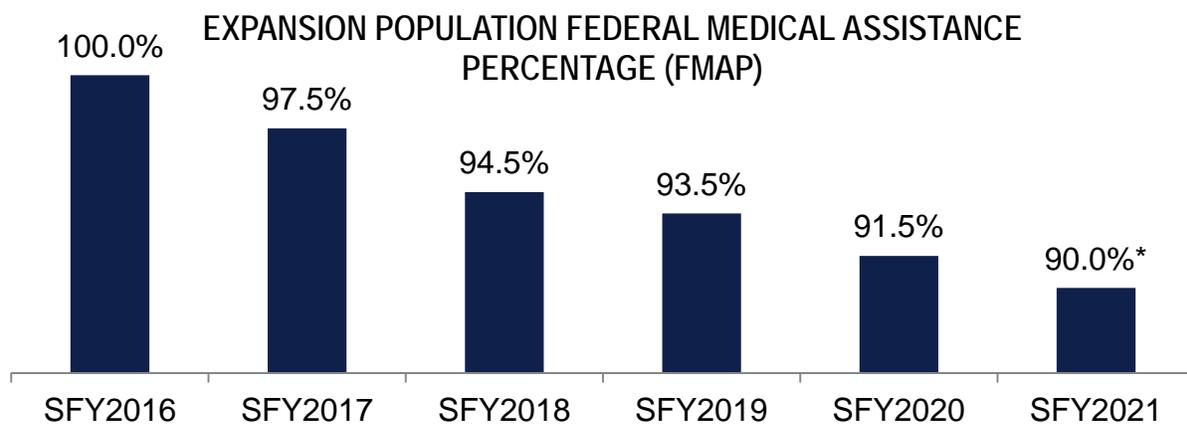
American Indians comprise approximately 35% of South Dakota’s Medicaid population. This has significant financial implications for Medicaid as services provided directly by IHS are eligible for 100% Federal Financial Participation (FFP). However, services provided to Medicaid-eligible American Indians outside of IHS do not receive 100% federal funding. Instead, South Dakota Medicaid must pay for these services at the regular federal match rate.

During State Fiscal Year (SFY) 2015, South Dakota’s Medicaid program expended \$208.2 million for healthcare services for individuals eligible for both IHS and Medicaid. Of that total, \$69.2 million was for services provided directly by IHS and paid with 100% federal funds. The remaining \$139 million was paid at the state’s regular federal match rate, or \$67 million general funds and \$72 million federal funds.

South Dakota has long argued that services for individuals eligible for both Medicaid and IHS should be eligible for 100% federal funding whether provided directly through IHS or by non-IHS providers.

MEDICAID EXPANSION IN SOUTH DAKOTA

States have the option to expand Medicaid coverage to adults with incomes up to 138% of the Federal Poverty Level. One of the key features of Medicaid expansion is that the federal government pays most of the costs of expansion. States must pay 10% of total costs starting in State Fiscal Year 2021 and thereafter, per federal regulations in 42 CFR 433.10.



* Note: 90% is the FMAP for all fiscal years following SFY2021

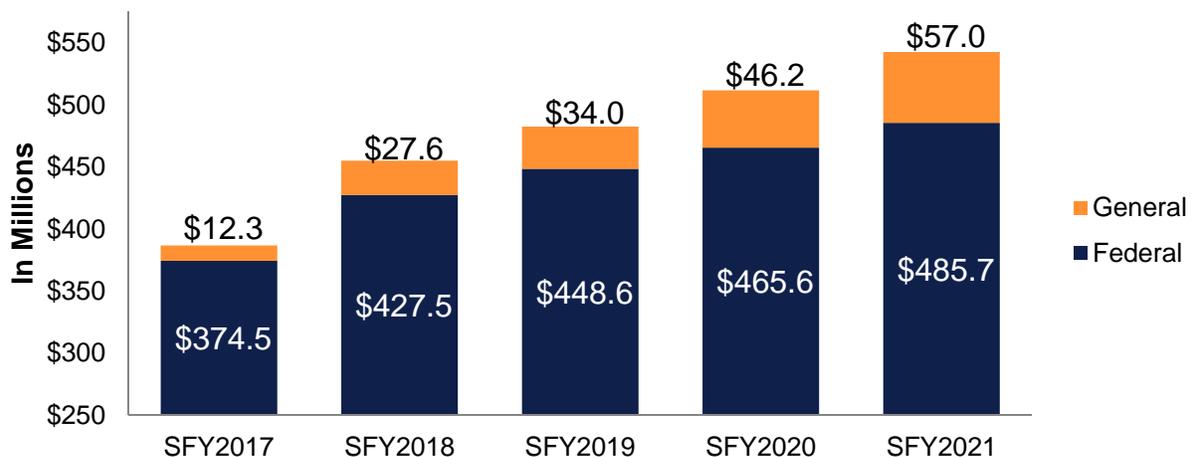
CONSERVATIVE BUDGET PROJECTIONS

The estimates used in Governor Dugaard’s SFY17 budget proposal include a number of conservative assumptions as a way to mitigate financial risk. South Dakota looked to the experience of other states to inform assumptions:

- Estimates assume 54,693 eligible individuals, a 10% increase over the 2015 survey of 49,721;
- Projects the average cost per Medicaid Eligible to be \$7,744 in SFY 2017 with an annual increase of 5%. This rate is based on the actual cost for Low Income Family (LIF) members in SFY 2015 plus 20%;
- Projects administrative expenditures will increase by 5% and require DSS to hire an additional 55 employees;
- No consideration for 100% FFP for American Indians eligible for IHS; estimated to be up to \$15 million per year.

Without taking into consideration economic impact to tax revenue, estimated at \$8.6 million for 2021, South Dakota will need \$57 million by 2021 in order to fully fund Medicaid expansion.

PROJECTED MEDICAID EXPANSION COSTS, SFY 2017- 2021



SOUTH DAKOTA MEDICAID EXPANSION CONCEPT PAPER

In early 2015, legislators, state officials, and health care providers saw an opportunity to leverage more federal funding for American Indian health care in South Dakota if the current CMS interpretation of services “received through” IHS could be expanded to include services provided by non-IHS providers. State savings from increased FFP could help defray the costs to expand Medicaid. After engaging in discussions with the Centers for Medicaid and Medicare Services (CMS), South Dakota submitted a [Concept Paper](#) to CMS with a proposal to provide better health care access to American Indians eligible for IHS, improve health outcomes for American Indians eligible for Medicaid, and increase access to health care for the entire expansion population in South Dakota.

In October 2015, CMS released a [white paper](#) proposing to update policy on funding services provided to Medicaid eligible American Indians and Alaskan Natives (AI/AN). Under CMS’s proposed policy change, more services would be eligible for 100% federal

funding, which would increase access to care for AI/AN Medicaid recipients, while generating savings to the state budget to fund Medicaid expansion.

HEALTH CARE SOLUTIONS COALITION RECOMMENDATIONS

Governor Daugaard tasked the HCSC with the development of a solution that supports increased access to healthcare for American Indians and improves health outcomes for American Indians in South Dakota, while leveraging state savings to finance Medicaid expansion. The Coalition began meeting in October 2015. Three subcommittees were formed to address specific issues outlined in South Dakota's concept paper:

After three months of meetings, the Coalition proposed the following recommendations:

- RECOMMENDATION 1 Increase use of telehealth services to support emergency departments and support increased access to primary and specialty care consultation and treatment in through Indian Health Service and Tribal Programs.
- RECOMMENDATION 2 Develop a formal Community Health Worker/Community Health Representative program under the Medicaid State Plan.
- RECOMMENDATION 3 Expand support for prenatal and postpartum care to support healthy birth outcomes
- RECOMMENDATION 4 Expand capacity for mental health and chemical dependency services through Indian Health Service and Tribal Programs.
- RECOMMENDATION 5 Expand Medicaid eligible providers of behavioral health and substance use disorder (SUD) treatment services.
- RECOMMENDATION 6 Add evidence-based behavioral health services and supports for children and families, including supporting the provision of functional family therapy as a Medicaid state plan service.

CONCLUSION

In order to expand Medicaid coverage to adults with incomes up to 138% FPL, South Dakota must find a way to offset new costs. Governor Daugaard remains committed to ensuring that any expansion plan for South Dakota is fiscally responsible and has adopted a conservative estimate of cost. To move forward, the following considerations must be met:

- No general fund increase is required, expansion costs must be covered by current general fund budget;
- Tribes must support the expansion proposal; and
- South Dakota Legislature must support the expansion proposal through passage of the Governor's recommended budget.