Cost Sharing – HR1

South Dakota Department of Social Services

Federal Requirements

- **What**: The One Big Beautiful Bill Act/HR 1 requires states to implement cost sharing requirements for a subset of the Medicaid expansion population.
  - Cost Sharing is also sometimes referred to by other insurers as a co-pay or co-insurance.
- **When**: Effective Date: October 1, 2028
- **Who**: Medicaid expansion adults with income at or above 100% of the Federal Poverty Level.
  - Excludes American Indians and Alaska Natives, pregnant women, individuals under age 21, hospice patients, and institutionalized individuals.
- **Guidelines**:
  - **Federally Exempt Services**: primary care, preventative services, emergency services, mental health and substance use disorder services, and services provided by a federal qualified health center, behavioral health clinic or rural health clinic
  - **Limits**: Cost shares may not exceed $35 per service. Cost sharing is also limited to 5% of the Medicaid household's income for families.
    - The 5% can be applied as a monthly or quarterly limit as determined by the state

Cost Sharing Examples

Cost Share Example

- For a $3 Cost share, Medicaid reduces $3 from the calculated claims payment to the provider.
- For, example if the maximum reimbursement amount for a service was $100 and the cost share was $3, Medicaid would pay the provider $97.
  - The provider would either collect $3 from the recipient or waive collection.

Quarterly Household Limit Example

- State establishes quarterly limit.
  - For example,100% FPL for a household size of 1 is $15,650.
    - A 5% quarterly limit would be $195.63.
    - If Medicaid deducted cost shares up to that amount for a recipient within a quarter, it would turn cost sharing off for that quarter for that recipient and make payment up to the maximum allowable amount on any subsequent claims in the quarter.

Cost-Sharing Background

South Dakota eliminated cost-sharing effective July 1, 2024.

Prior to that the following cost-sharing amounts were in place.

- **Chiropractic Services**: $1 for each procedure.
- **Community Mental Health Centers**: 5% of the allowable costs for certain procedures.
- **Dental Services**: $3 for each procedure
- **Diabetes Education**: $3 per unit of service.
- **Dietitian/Nutritionist Services**: $3 per visit.
- **Durable Medical Equipment**: 5% of the allowable costs
- **Independent Mental Health Practitioners**: $3 per procedure
- **Inpatient Hospital Services**: $50 for each admission.
- **Medical Visits, Including Mental Health Visits**: $3 per visit.
- **Nutritional Services**: $2 a day - enteral, $5 a day - parenteral.
- **Optometric Services (Eye Doctor)**: $2 per visit
- **Optical Supply (Glasses, etc.)**: $2 per procedure
- **Outpatient Hospital Services and Ambulatory Surgical Centers**: 5% of allowable costs up to a maximum of $50.
- **Podiatry Services**: $2 per visit.
- **Prescriptions**: $3.30 each brand name prescription or refill and $1 for each generic prescription or refill

Questions for Feedback

- How should the new cost share policy differ from the previous policy?
  - What services should be subject to cost sharing?
    - Should it focus on higher cost services such as inpatient hospital services and potential inappropriate utilization such as non-emergent use of the ER?
- What are your suggestions for minimizing administrative burdens for providers and recipients?
- What other feedback do you have regarding cost sharing that we should consider?

Thank You

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