



Medicaid PACT Update



South Dakota

Executive summary: Nearly all the counties in South Dakota are rural – of 66 counties, over half (33) are frontier and nearly half (49.8%) of the population lives in a non-metro area. South Dakota also has nine American Indian Tribes whose reservations are mostly located in frontier areas. South Dakota is particularly focused on initiatives that prioritize direct investment in provider capacity, including through technology, workforce development, and disease management programs.

Funding
FY26
\$189M



Goals & Key Themes

- Prioritize direct investment in provider capacity over creating new programs. Recognizing that rural providers understand their communities' needs best, South Dakota's plan offers flexibility for local innovation by supplying practical tools and support necessary to enable providers to deliver high-quality care efficiently and sustainably.
- Fund essential technology and equipment, and develop statewide data infrastructure, develop the rural workforce, enhancing chronic disease management programs, advance behavioral healthcare delivery and emergency medical services.



Spotlight Initiatives

- **Regional Maternal and Infant Health Hubs** – Reduce maternal and infant health disparities and improve access to high-quality care in rural and Tribal areas in South Dakota by establishing regional hubs. These hubs focus on both clinical care and broader care coordination, supported by spoke sites that integrate community social-support networks.
- **Medicaid Primary Accountable Care Transformation** – Implement an alternative payment model that provides flexible, capitated payments to rural primary care practices, incentivizing both providers and patients for quality outcomes while promoting shared accountability for cost and utilization.



Expected Impact

Proposed Outcomes:

- Connect technology and data for a healthier South Dakota
- Advance the rural workforce
- Keep healthcare access local and strong
- Transform systems for sustainability

State Policy Actions:

- Commitments to Presidential Fitness Test and PA compact

Medicaid Primary Accountable Care Transformation (PACT)

Moving primary care services away from fee-for-service and towards value

New model:

- Replaces primary care E&M billing with a *Prospective Primary Care Payment*, a predictable monthly investment in each patient that allows physicians to focus on high-value care rather than visit volume
- Uses year-end primary care HEDIS measures to calculate quality payments that reward outcomes instead of processes
- Creates shared case management infrastructure option to support rural clinics who cannot support this resource alone
- Creates structure for patient-directed quality goals to encourage engagement and wellness

Goals of PACT



Increase Quality of Care for South Dakota Medicaid Recipients – Focusing on quality instead of volume and investing in primary care will lead to improved chronic disease management and primary prevention.



Reduce Utilization of Medically Unnecessary Emergency Department Visits – Investing in primary care and population health tools, engaging with patients and their clinicians, and improving access to case management will decrease costs by decreasing the utilization of medical unnecessary services.



Improve Sustainability of Primary Care for Clinicians - By increasing support via case management, additional tools/technology, and changing reimbursement, the model strengthens rural primary care sustainability by ensuring predictable revenue that rewards quality and enables practices to maintain comprehensive services.



Transform South Dakota Primary Care Landscape- SD Medicaid will partner with stakeholders including other payors to achieve payor alignment and transform primary care in the state.

Creating PACT Together

Stakeholder Engagement



DSS will convene operational workgroups to create and guide implementation of this new primary care model. The workgroups will include representatives from health systems, rural, tribal and FQHC clinics, professional healthcare organizations, and payors. The workgroups are anticipated to meet at least monthly through 2026, and through out program as needed.



The Beneficiary Advisory Council (BAC) will provide patient feedback quarterly throughout the process.



Additional feedback will be sought from the Medicaid Advisory Committee (MAC) and through Tribal Consultation.

PACT next steps/funding opportunities

READINESS GRANTS TO PROVIDERS

POPULATION HEALTH TOOL WITH ACCESS FOR SD MEDICAID AND PROVIDERS

CENTRALIZED AND SHARED CASE MANAGEMENT FOR RURAL/FRONTIER CLINICS AS WELL AS RECIPIENTS NEW TO MEDICAID

MODEL SUPPORT: PROJECT MANAGEMENT, RATE SETTING

QUALITY INCENTIVE FOR PROVIDERS AND PATIENTS

STAKEHOLDER ENGAGEMENT

PAYOR ENGAGEMENT

READINESS WORK FOR MEDICAID SYSTEM TO PROCESS VALUE-BASED PAYMENTS