

State/Territory: South Dakota
State Methodology of Determining Cost-Effectiveness of Individual and Group Health Plans

Enrollment in the Premium Assistance Program is voluntary. Premium assistance enrollees are able to see providers enrolled in Medicaid and/or the private insurance for any Medicaid eligible services. For Medicaid eligible recipients, enrollment in the Premium Assistance Program does not change the recipient's eligibility for benefits through the state plan or cost sharing obligations under the state plan. The Medicaid agency pays all premiums, deductibles, coinsurance and other cost sharing obligations for items and services covered under the State plan, subject to any nominal Medicaid copayment, for premium assistance beneficiaries. Individuals enrolled in the Premium Assistance Program are afforded the same recipient protections provided to all other Medicaid enrollees. Any cost-sharing imposed in excess of the 5 percent cap is adjusted through claims reprocessing by the Medicaid agency.

- I. South Dakota Medicaid determines the cost-effectiveness for payment of qualifying group or individual market health insurance premiums using the following methodology:
 1. Any Medicaid-eligible recipient who has an existing, ongoing, and medically- confirmed medical condition determined by the South Dakota Medicaid to be considered a cost-effective condition is deemed to meet the cost-effective criteria. Examples of medical conditions considered cost-effective include cancer, neonatal intensive care, transplants, motor vehicle accidents, head trauma, and heart conditions.
 2. When the criteria of 1. is not met, cost-effectiveness will be calculated as follows:
 - a. Determine:
 - i. The annual anticipated cost for Medicaid services generally covered by the private health insurance based on the recipient's claim history and other relevant information.
 - ii. Total the results of each of the following calculations:
 - a. The group or individual market health insurance premium less the employer contribution.
 - b. A predetermined annual administration cost per participant.
 - c. The expected cost to South Dakota Medicaid for any deductibles, coinsurance and/or copayments.
 - b. Subtract the result of *ii.* from the result of *i.*
 - c. If the result is a cost savings greater than or equal to \$1,000, the policy is considered cost-effective.
 - d. If the result is less than \$1,000 in cost savings, the policy is not considered cost-effective.
 3. When the criteria of 1. and 2. are not met, specific information relating to the individual circumstances of the Medicaid-eligible recipient may be provided. On a case-by-case basis and at the sole discretion of South Dakota Medicaid, a determination of cost-effectiveness can be made if sufficient evidence is provided to demonstrate savings to South Dakota Medicaid.
- II. Redetermination Review
 1. South Dakota Medicaid will complete a redetermination review at least yearly for all Premium Assistance Program enrollees. The yearly review shall consist of:
 - a. Verifying South Dakota Medicaid eligibility; and

- b. Completing a cost-effective analysis using the cost-effectiveness methodology
 2. South Dakota may re-determine eligibility at any point if:
 - a. The monthly premium of the group or individual market health insurance increases;
 - b. There is a change in eligibility category or status for South Dakota Medicaid;
 - c. The services offered by the group or individual market health insurance decrease;
 - d. There is a change in the deductible, co-insurance or any other cost-sharing provisions of the group or individual market health policy; or
 - e. There is reason to believe a change has occurred which may affect eligibility for the Premium Assistance Program.
 3. Failure to submit required documents for redetermination or failure to meet the cost effectiveness criteria may result in disenrollment from the Premium Assistance Program.
- III. Coverage of Non-South Dakota Medicaid Family Members
 1. The Premium Assistance Program will pay the premiums for additional family members who are not South Dakota Medicaid eligible, if the individual's premium amount cannot be separated from the family premium amount. In this circumstance, the entire amount of the family's premium will be used to calculate cost effectiveness.
 2. South Dakota will not pay a deductible, copayment, or coinsurance obligation on behalf of non-Premium Assistance Program individuals covered under a family's insurance.
- IV. Purchasing or paying for health insurance coverage is deemed not cost effective when:
 1. A recipient is also enrolled in Medicare;
 2. A recipient is enrolled in a limited benefits Medicaid program;
 3. Payment of health insurance premiums have been fully reimbursed or offset by a third party, including, but not limited to:
 - a. An employer.
 - b. An individual court-ordered to provide medical support.
 4. The group or individual market health insurance only provides catastrophic, limited benefit, limited duration, or indemnity coverage.
- V. Premium Assistance Payments
 1. Payments may be made directly to the insurer, employer, or the recipient.
 2. The initial insurance premium payment will be made immediately upon program approval and on the first business day of each qualifying month thereafter.