August 5, 2021

Dr. Sally Abbott, MS, PhD
Regional Health Administrator
Centers for Medicare and Medicaid Services
1961 Stout Street, Room 08-148
Denver, CO 80294

Re: South Dakota Medicaid State Plan Amendment SD-22-0010

Dear Dr. Abbott:

Please find enclosed South Dakota's Medicaid State Plan Amendment (SPA) SD-22-0010. The SPA implements inflationary rate increases appropriated by the state legislature during the 2022 legislative session. The SPA also clarifies that in-state long-term acute care hospitals are reimbursed on a per diem basis. The proposed amendment revises Attachment 4.19-A, pages 1, 5, 7, 8, 10a, and 10b, and Attachment 4.19-B, Introduction page 1 and page1a. The Department requests a July 1, 2022 effective date for this SPA.

The following services are receiving a 6.0 percent inflationary increase:
- Instate DRG Inpatient Hospital Services, Instate DRG Exempt Inpatient Hospitals/Hospital Units, and Instate APC Outpatient Hospital Services
- Optometric Services
- Chiropractic Services
- Nutritionists and Dietician Services
- Clinic Services
- Eyeglasses
- Diabetes Self-Management Training
- Nurse Midwife Services
- Community Transportation
- Secure Medical Transportation
- Air and Ground Ambulance Transportation
- Home Health Agencies
- Independent Mental Health Practitioners Services
- Nutrition Items
- Personal Care Services
- Child Private Duty Nursing
- Freestanding Birth Centers
- Disproportionate Share Hospital Payment Pools
- Graduate Medical Education Payment Pools

The following services are receiving a targeted rate increase or are being rebased:

<table>
<thead>
<tr>
<th>Service</th>
<th>Type</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Health Worker Services</td>
<td>Targeted Increase</td>
<td>Code 98960 - $30.89</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Code 98961 - $15.45</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Code 98962 - $10.81</td>
</tr>
<tr>
<td>Service</td>
<td>Targeted Increase</td>
<td></td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-----------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Dental Services including</td>
<td>• Procedure codes with high utilization are receiving an 8.38% increase</td>
<td></td>
</tr>
<tr>
<td>Orthodontic Services and Dentures</td>
<td>• Orthodontic and Preventative Services are receiving a 2.0% increase</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Certain codes are subject to both increases</td>
<td></td>
</tr>
<tr>
<td>Supplies, Orthotics and Prosthetics</td>
<td>• Procedure codes with rates above 100% of Medicare are rebased to 100% of Medicare</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Procedure codes below 90% of Medicare are rebased to 90% of Medicare</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Procedure codes with no utilization are rebased to 90% of Medicare</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Other procedure codes are subject to a 6% inflationary increase</td>
<td></td>
</tr>
<tr>
<td>Occupational, Speech, and Physical Therapy</td>
<td>• Certain procedure codes are rebased to 65% of Medicare.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Other codes including rebased codes are subject to a 6% inflationary increase</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• HM modifier revised to reimburse assistants at a maximum of 90% of the established rate</td>
<td></td>
</tr>
<tr>
<td>Physician Administered Drugs</td>
<td>• Procedure codes are rebased to 100% of Medicare or a surrounding state average</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Other procedure codes are subject to a 6% inflationary increase</td>
<td></td>
</tr>
<tr>
<td>Physician Services</td>
<td>• Procedure codes with rates above 100% of Medicare are rebased to 100% of Medicare</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Codes paid rates below 62% of Medicare are rebased to 66% of Medicare</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Procedure codes with no utilization are rebased to 90% of Medicare</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Other procedure codes are subject to a 6% inflationary increase</td>
<td></td>
</tr>
</tbody>
</table>

A breakdown of the estimated federal fiscal impact is provided in Appendix 1.

The State conducted Tribal Consultation beginning with notification on July 27, 2022. We have attached a copy of the notification sent to the Tribes. We received no comments. Public notice was published in the South Dakota REGISTER, [https://mylr.sc.gov/Documents/Register/237408.pdf](https://mylr.sc.gov/Documents/Register/237408.pdf), on June 22, 2022. We received no comments.

If you have any questions regarding this package, please contact Matthew Ballard, Deputy Director of the Division of Medical Services, 700 Governors Drive, Pierre, SD 57501-2291, e-mail Matthew.Ballard@state.sd.us, or telephone (605) 773-3495.

Sincerely,

Laurie R. Gill
Cabinet Secretary

CC: Sarah Aker, Director
Matthew Ballard, Deputy Director
## Appendix 1: Estimated Federal Fiscal Impact by Service

The table below provides an estimate of the federal fiscal impact by services type.

<table>
<thead>
<tr>
<th>Service</th>
<th>FFY21</th>
<th>FFY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient Hospital Services</td>
<td>$1,821,618.01</td>
<td>$7,286,472.05</td>
</tr>
<tr>
<td>Outpatient Hospital Services</td>
<td>$393,221.68</td>
<td>$1,572,886.74</td>
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<tr>
<td>Physician Services including EPSDT Screenings/Treatment and Professional Services Provided in a Freestanding Birth Center</td>
<td>$1,105,432.53</td>
<td>$4,421,730.11</td>
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<tr>
<td>Dental Services including Orthodontic Services and Dentures</td>
<td>$245,659.55</td>
<td>$982,638.19</td>
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<tr>
<td>Optometric Services</td>
<td>$27,116.51</td>
<td>$108,466.04</td>
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<tr>
<td>Chiropractic Services</td>
<td>$8,902.62</td>
<td>$35,610.48</td>
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<tr>
<td>Disproportionate Share Hospital Payments</td>
<td>$9,645.41</td>
<td>$38,581.65</td>
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<tr>
<td>Graduate Medical Education Payments</td>
<td>$30,309.63</td>
<td>$121,238.53</td>
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<tr>
<td>Other Medical Services</td>
<td>$312,054.55</td>
<td>$1,248,218.21</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,953,960.50</strong></td>
<td><strong>$15,815,841.98</strong></td>
</tr>
</tbody>
</table>

The Other Medical Services category includes the following services:
- Independent Mental Health Practitioners Services
- Nutritionists and Dietician Services
- Supplies, Orthotics and Prosthetics
- Clinic Services
- Physical Therapy
- Occupational Therapy
- Speech, Hearing, or Language, Disorder Services
- Prosthetic Devices
- Eyeglasses
- Diabetes Self-Management Training
- Nurse Midwife Services
- Community Transportation
- Secure Medical Transportation
- Air and Ground Ambulance Transportation
- Nutrition Items
- Home Health Services
- Personal Care Services
- Child Private Duty Nursing
- Community Health Worker Services
TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR 447.201 and Subpart C, and Section 1923 of the Act

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 4.19-A, pages 1, 5, 7, 8, 10a, and 10b, and Attachment 4.19-B, Introduction page 1 and page 1a

9. SUBJECT OF AMENDMENT

Implements inflationary rate increases, rebases select services, and clarifies long-term acute care hospital reimbursement.

10. GOVERNOR’S REVIEW (Check One)
O GOVERNOR’S OFFICE REPORTED NO COMMENT
O COMMENTS OF GOVERNOR’S OFFICE ENCLOSED
O NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

11. SIGNATURE OF STATE AGENCY OFFICIAL

12. TYPED NAME
Laurie R. Gill

13. TITLE
Cabinet Secretary

14. DATE SUBMITTED
August 5, 2022

15. RETURN TO
DEPARTMENT OF SOCIAL SERVICES
DIVISION OF MEDICAL SERVICES
700 GOVERNORS DRIVE
PIERRE, SD 57501-2291

FOR CMS USE ONLY

16. DATE RECEIVED

17. DATE APPROVED

18. EFFECTIVE DATE OF APPROVED MATERIAL

19. SIGNATURE OF APPROVING OFFICIAL

20. TYPED NAME OF APPROVING OFFICIAL

21. TITLE OF APPROVING OFFICIAL

22. REMARKS

Instructions on Back
INPATIENT HOSPITAL PAYMENT METHODOLOGY

GENERAL

The South Dakota Medicaid program has reimbursed hospitals for inpatient services under a prospective Diagnosis Related Groups (DRGs) methodology, with a few exceptions, since January 1, 1985. The State uses the federal definitions of DRGs, classifications, weights, geometric mean lengths of stay, and outlier cutoffs. The DRG Grouper is updated annually effective January 1 each year. The agency provides a link to Medicare’s DRGs on its website at http://dss.sd.gov/sdmedx/includes/providers/feeschedules/dss/index.aspx. The agency calculates Medicaid-specific weight and geometric mean length of stay factors annually using the latest three years of non-outlier claim data, this three-year claims database updated annually to establish new weight and geometric length of stay factors with each new grouper.

The agency developed hospital-specific costs per Medicaid discharge amounts for all in-state hospitals using Medicare cost reports and non-outlier claims data for the hospitals’ fiscal years ending after June 30, 1996 and before July 1, 1997. The agency applied an inflation factor, specific to each hospital’s fiscal year end, to the cost per discharge amounts of all hospitals with more than thirty (30) Medicaid discharges during the base year to establish target amounts for the most recently completed federal fiscal year. There is a cap on the hospitals’ target amounts, under which no hospital is allowed a target amount that exceeds 110% of the statewide weighted average of all target amounts.

South Dakota Medicaid reimburses out-of-state hospitals at 44.15% of the provider’s usual and customary charges. The State may reimburse out-of-state hospitals on the same basis as the Medicaid agency where the hospital is located if the hospital’s home state Medicaid agency agrees to calculate the claim payment.

Payment is for individual discharge or transfer claims only. Out of state specialty hospitals are reimbursed at 44.15% of billed charges unless otherwise approved by the state. There is no annual cost settlement with out-of-state hospitals or in-state DRG hospitals unless an amount is due the South Dakota Medicaid program.

For claims with dates of service beginning July 1, 2022, in-state DRG hospitals’ target and capital/education amounts are increased by 6.0 percent. OPPS hospitals that did not receive an inflationary increase to their conversion factor are receiving a provider specific targeted increase to their target and capital/education of 6.0 percent or more.

SPECIFIC DESCRIPTION

Each year the agency calculates a hospital’s target amounts for non-outlier claims by dividing the hospital’s average cost per discharge for non-outlier claims by the hospital’s case mix index. To ensure budget neutrality, the agency adjusts annually a hospital’s target amount for any change in that hospital’s case mix index resulting from the establishment of new program specific weight factors. For each hospital, the case mix index is the calculated result of accumulating the weight factors for all claims submitted during the base period and dividing by the number of claims.
5. Rehabilitation Units (only upon request and justification);
6. Children’s Care Hospitals;
7. Indian Health Service Hospitals;
8. Hospitals with less than 30 Medicaid discharges during the hospital’s fiscal year ending after June 30, 1993, and before July 1, 1994;
9. Specialized Surgical Hospitals;
10. Long-Term Acute Care Hospital.

Payment for rehabilitation hospitals and units, perinatal units, and children’s care hospitals will continue on the Medicare retrospective cost base system with the following exceptions:

1. Costs associated with certified registered nurse anesthetist services that relate to exempt hospitals and units will be included as allowable costs.
2. Malpractice insurance premiums attributable to exempt units or hospitals will be allowed using 7.5% of the risk portion of the premium multiplied by the ratio of inpatient charges to total Medicaid inpatient charges for these hospitals or units.

The agency provides a link to Medicare’s DRGs on its website at http://dss.sd.gov/sdmedx/includes/providers/feeschedules/dss/index.aspx

Payment for psychiatric hospitals, psychiatric units, rehabilitation hospitals, rehabilitation units, perinatal units, long-term acute care hospitals and children’s care hospitals is on a per diem basis based on the facility’s reported, allowable costs, as established by the State. This per diem amount is updated annually as directed by the Legislature based on review of economic indices and input from interested parties not to exceed the rate as established by the medical care component of the Consumer Price Index of the most recent calendar year. The per diem for state operated psychiatric hospitals is updated annually based on facility’s reported allowable costs, as established by the state.

Specialized surgical hospitals payments for payable procedures will be based upon group assignments. Payment rates are effective April 1, 2019 and will be listed on the agency’s website http://dss.sd.gov/sdmedx/includes/providers/feeschedules/dss/index.aspx. Payable procedures include, but are not limited to: nursing, technician, and related services; patient’s use of facilities; drugs, biologicals, surgical dressings, supplies, splints, casts, and appliances and equipment directly related to the surgical procedures; diagnostic or therapeutic services or items directly related to the surgical procedures; administrative and recordkeeping services; housekeeping items and supplies; and materials for anesthesia. Items not reimbursable include those payable under other provisions of State Plan, such as physician services, laboratory services, X-ray and diagnostic procedures, prosthetic devices, ambulance services, orthotic devices, and durable medical equipment for use in the patient’s home, except for those payable as directly related to the surgical procedures.

Payments to Indian Health Service inpatient hospitals will be per diem and based upon the approved rates published each year in the Federal Register by the Department of Health and Human Services, Indian Health Service, under the authority of sections 321(a) and 322(b) of the Public Health Service Act (42 U.S.C. 248 and 249(b)), Public Law 83-568 (42 U.S.C. 2001(a)), and the Indian Health Care Improvement Act (25 U.S.C. 1601 et seq.).

Instate hospitals with less than 30 discharges during the hospital’s fiscal year ending after June 30, 1993, and before July 1, 1994, are paid 95% of billed charges.

For claims with dates of service on and after July 1, 2022, the amount of reimbursement for psychiatric hospitals, rehabilitation hospitals, perinatal units, psychiatric units, rehabilitation units, children’s care hospitals, and long-term acute care hospitals will be increased 6.0% over the July 1, 2021 calculations after any cost sharing amounts due from the patient, any third-party liability amounts have been deducted and other computation of any cost outlier payment.

**EXCEPTION TO PAYMENT METHODOLOGIES FOR ACCESS-CRITICAL AND AT-RISK HOSPITALS**

South Dakota Medicaid will reimburse hospitals classified as Medicare Critical Access or Medicaid Access Critical at the greater of actual allowable cost or the payment received under the provisions contained in this Attachment.
Group 2, psychiatric hospitals operated by the State of South Dakota; and Group 3, other hospitals (any hospital not in Group 1 or 2).

Payments to Group 1 hospitals qualifying under the Medicaid inpatient utilization method are based on the standard deviation that a facility’s qualifying rate exceeds the Medicaid inpatient utilization mean for all participating hospitals. Payments to Group 1 hospitals qualifying under the low-income utilization method are based on the standard deviation that a facility’s qualifying rate exceeds the low-income utilization mean for all participating hospitals. Payments to Group 1 hospitals will be made according to the payment schedule on the Department’s website, http://dss.sd.gov/medicaid/providers/feeschedules/, effective July 1, 2022.

The amount of payment for each hospital is calculated as follows:

The Department determines the number of facilities qualifying at greater than the mean, greater than 1 standard deviation above the mean, greater than 2 standard deviations above the mean, and greater than 3 standard deviations above the mean. The total amount of funding budgeted for disproportionate share payments is then allocated starting with those facilities qualifying at greater than the mean. Facilities qualifying at greater than 1 standard deviation, greater than 2 standard deviations, and greater than 3 standard deviations above the mean are paid double, triple, and quadruple, respectively, the amount for facilities qualifying at greater than the mean. The payment amounts are adjusted until all the budgeted funds are spent.

The proposed disproportionate share payment for each facility is then compared to the payment limit that has been established for each facility. If the payment limit is less than the proposed disproportionate share payment, then the payment limit amount will be the disproportionate share payment for that particular facility. The sum of the payments made to the facilities where the payment limit was met is then subtracted from the total amount budgeted. The remaining budgeted funds are then allocated equally among the facilities where the payment limits have not been met. The subsequent allocation again is determined to ensure that facilities qualifying at greater than 1 standard deviation, greater than 2 standard deviations, and greater than 3 standard deviations above the mean are paid double, triple, and quadruple, respectively, the amount for facilities qualifying at greater than the mean.

Payments to Group 2 hospitals qualifying under the Medicaid inpatient utilization method will be based on the standard deviation that a facility’s qualifying rate exceeds the Medicaid inpatient utilization mean for all participating hospitals. Payments to Group 2 hospitals qualifying under the low-income utilization method will be based on the standard deviation that a facility’s qualifying rate exceeds the low-income utilization mean for all participating hospitals.
Payments to Group 2 hospitals will be made according to the payment schedule on the Department's website, http://dss.sd.gov/medicaid/providers/feeschedules/, effective July 1, 2022.

Payments to Group 3 hospitals qualifying under the Medicaid inpatient utilization method will be based on the standard deviation that a facility’s qualifying rate exceeds the Medicaid inpatient utilization mean for all participating hospitals. Payments to Group 3 hospitals qualifying under the low-income utilization method will be based on the standard deviation that a facility’s qualifying rate exceeds the low-income utilization mean for all participating hospitals. Payments to Group 3 hospitals will be made according to the payment schedule on the Department’s website, http://dss.sd.gov/medicaid/providers/feeschedules/, effective July 1, 2022.

If necessary, payments to qualified hospitals will be adjusted for the projected impact of the hospital’s specific disproportionate share hospital payment limit as required by OBRA ’93.

The agency will make disproportionate share hospital program payments to qualifying hospitals one time during the last quarter of the State fiscal year. If the total of disproportionate share payments to all qualified hospitals for a year is going to exceed the State disproportionate share hospital payment limit, as established under 1923(f) of the Act, the following process will be used to prevent overspending the limit: First, the amount of over-expenditure will be determined; Then the over-expenditure amount will be deducted from the total payments to Group 2 hospitals; and Payments to individual Group 2 hospitals will be reduced based on their percentage of Group 2 total payments.
HEALTH PROFESSION EDUCATION

The Department of Social Services supports the direct graduate medical education (GME) of health professionals through the use of Medicaid funds. All in-state, private hospitals which are accredited by the Accreditation Council for Graduate Medical Education (ACGME) are eligible for health profession education payments. Those hospitals are identified through the use of their most recently-filed Medicare 2552-10, cost reports. Specifically, worksheet E-4 (Line 1.00) is utilized to identify the number of weighted full-time equivalents for primary care physicians at participating facilities. The agency calculates the Medicaid hospital patient days using the Division of Medical Services (DMS) Cost Settlement Details report of adjudicated claims for the same period as the Medicare 2552 cost report.

Hospitals seeking GME payments must submit an application for the previous state fiscal year’s costs to DMS prior to the end of the current state fiscal year. The agency will make payments for costs incurred in the previous state fiscal year, as defined below, annually prior to the end of the current state fiscal year. Payments will be made through the state’s Medicaid Management Information System (MMIS) payment system. Payments will be made directly to the qualifying hospitals through a supplemental payment mechanism. The payment will appear on the facility’s remittance advice. Each hospital will also receive written notification at the time of payment of the payment amount from DMS.

GME payments made in error will be recovered via a supplemental recovery mechanism and will appear on the facility’s remittance advice. The agency will notify the facility in writing explaining the error prior to the recovery. The Federal share of payments made in excess will be returned to CMS in accordance with 42 CFR Part 433, Subpart F.

A hospital that applied for GME funding in the previous 24 months must provide written notice to DMS no less than 30 days prior to the effective date it intends to terminate operation of a GME program. A hospital must provide written notice to DMS by January 1 if it will not be applying for GME funding for the previous state fiscal year’s costs.

The agency will determine the annual lump sum, onetime payment pool. The annual payment will be made during the last quarter of the state fiscal year. The pool will be distributed based upon the allocation percentage of each hospital. The hospital allocation percentage will be developed using prior year total Medicaid inpatient days and weighted intern and resident (I & R) full time equivalency (FTE). The state uses the prior year’s cost report data as a proxy for the current year. For example, the state fiscal year 2008 calculation of allocations from the payment pool was the following:

<table>
<thead>
<tr>
<th>(a) Weighted I &amp; R FTEs</th>
<th>(b) Medicaid Hospital Patient Days</th>
<th>(c) (a*b) Weighted FTE Days</th>
<th>(d) Hospital Allocation Percentage</th>
<th>Payment Pool Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital A</td>
<td>17</td>
<td>11,450</td>
<td>194,650</td>
<td>35.34%</td>
</tr>
<tr>
<td>Hospital B</td>
<td>22</td>
<td>10,692</td>
<td>232,230</td>
<td>42.16%</td>
</tr>
<tr>
<td>Hospital C</td>
<td>23</td>
<td>5,342</td>
<td>123,988</td>
<td>22.51%</td>
</tr>
<tr>
<td>Totals</td>
<td>62</td>
<td>27,484</td>
<td>550,868</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Total state funds available for payment through the pool are listed on the department’s website, http://dss.sd.gov/medicaid/providers/feeschedules/, effective July 1, 2022. The FMAP at the time the annual payment is made will be applied to the state portion of the payment.

TN# 22-0010
Supersedes
TN# 21-0009

Attachment 4.19-A
Page 10a

Approval Date
Effective Date 07/01/22
Rural Residency Program

The Center for Family Medicine is eligible for payment of direct GME via a separate funding pool for its operation of a rural family medicine residency program. The Center for Family Medicine must be accredited by the ACGME to be eligible for health profession education payments.

The state will make equal interim payments to providers on a quarterly basis. Costs must be submitted on a quarterly basis to validate costs for the previous quarter using the state developed South Dakota Rural Residency Program Cost Report and Rural Residency Cost Report Guidelines. The payment will be made to the Center for Family Medicine through the MMIS system. Payments will be made directly to the provider through a supplemental payment mechanism and will appear on their remittance advice. The Center for Family Medicine will receive written notification at the time of payment of the payment amount from DMS.

GME payments made in error that cannot be adequately addressed through adjustment of future quarterly payments will be recovered via a supplemental recovery mechanism and will appear on the provider’s remittance advice. The agency will notify the provider in writing explaining the error prior to the recovery. The Federal share of payments made in excess will be returned to CMS in accordance with 42 CFR Part 433, Subpart F.

The Center for Family Medicine must provide written notice to DMS no less than 30 days prior to the effective date it intends to terminate operation of its GME program or written notice to DMS no less than 30 days prior to the effective date it will no longer be applying for GME funding.

The agency will determine the annual rural residency program payment pool for the upcoming state fiscal year prior to the start of the fiscal year on July 1. The total state funds available for payment through the rural residency program pool are listed on the department’s website, http://dss.sd.gov/medicaid/providers/feeschedules/, effective July 1, 2022. The FMAP at the time the quarterly payment is made will be applied to the state portion of the payment.
Payment rates for the services listed below are effective for services provided on or after the corresponding date. Fee schedules are published on the Department’s website at http://dss.sd.gov/medicaid/providers/feeschedules/. Effective dates listed on the introductory page supersede the effective dates listed elsewhere in Attachment 4.19-B. Unless otherwise noted in the referenced state plan pages, reimbursement rates are the same for both governmental and private providers.

<table>
<thead>
<tr>
<th>Service</th>
<th>Attachment</th>
<th>Effective Date</th>
</tr>
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<tbody>
<tr>
<td>Early and Periodic Screening, Diagnosis, and Treatment (EPSDT)</td>
<td>Attachment 4.19-B, Page 4</td>
<td>July 1, 2022</td>
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<tr>
<td>Physician Services</td>
<td>Attachment 4.19-B, Page 6</td>
<td>July 1, 2022</td>
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<tr>
<td>Optometrist Services</td>
<td>Attachment 4.19-B, Page 9</td>
<td>July 1, 2022</td>
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<tr>
<td>Chiropractic Services</td>
<td>Attachment 4.19-B, Page 10</td>
<td>July 1, 2022</td>
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<tr>
<td>Independent Mental Health Practitioners</td>
<td>Attachment 4.19-B, Page 11</td>
<td>July 1, 2022</td>
</tr>
<tr>
<td>Nutritionist and Dietician Services</td>
<td>Attachment 4.19-B, Page 11</td>
<td>July 1, 2022</td>
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<tr>
<td>Home Health Services</td>
<td>Attachment 4.19-B, Page 12</td>
<td>July 1, 2022</td>
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<tr>
<td>Durable Medical Equipment</td>
<td>Attachment 4.19-B, Page 13</td>
<td>July 1, 2022</td>
</tr>
<tr>
<td>Clinic Services</td>
<td>Attachment 4.19-B, Page 15</td>
<td>July 1, 2022</td>
</tr>
<tr>
<td>Dental Services</td>
<td>Attachment 4.19-B, Page 16</td>
<td>July 1, 2022</td>
</tr>
<tr>
<td>Physical Therapy</td>
<td>Attachment 4.19-B, Page 17</td>
<td>July 1, 2022</td>
</tr>
<tr>
<td>Occupational Therapy</td>
<td>Attachment 4.19-B, Page 18</td>
<td>July 1, 2022</td>
</tr>
<tr>
<td>Speech, Hearing, or Language Disorder Services</td>
<td>Attachment 4.19-B, Page 19</td>
<td>July 1, 2022</td>
</tr>
<tr>
<td>Dentures</td>
<td>Attachment 4.19-B, Page 21</td>
<td>July 1, 2022</td>
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<tr>
<td>Prosthetic Devices</td>
<td>Attachment 4.19-B, Page 22</td>
<td>July 1, 2022</td>
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<td>Eyeglasses</td>
<td>Attachment 4.19-B, Page 23</td>
<td>July 1, 2022</td>
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<tr>
<td>Diabetes Self-Management Training</td>
<td>Attachment 4.19-B, Page 26</td>
<td>July 1, 2022</td>
</tr>
<tr>
<td>Community Health Workers</td>
<td>Attachment 4.19-B, Page 26</td>
<td>July 1, 2022</td>
</tr>
<tr>
<td>Community Mental Health Centers</td>
<td>Attachment 4.19-B, Page 26</td>
<td>June 1, 2022</td>
</tr>
<tr>
<td>Substance Use Disorder Agencies</td>
<td>Attachment 4.19-B, Page 26</td>
<td>June 1, 2022 *</td>
</tr>
<tr>
<td>Nurse Midwife Services</td>
<td>Attachment 4.19-B, Page 31</td>
<td>July 1, 2022</td>
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<tr>
<td>Transportation</td>
<td>Attachment 4.19-B, Page 38</td>
<td>July 1, 2022</td>
</tr>
<tr>
<td>Personal Care Services</td>
<td>Attachment 4.19-B, Page 38</td>
<td>July 1, 2022</td>
</tr>
<tr>
<td>Freestanding Birth Centers</td>
<td>Attachment 4.19-B, Page 39</td>
<td>July 1, 2022</td>
</tr>
<tr>
<td>Professional Services Provided in a Freestanding Birth Center</td>
<td>Attachment 4.19-B, Page 39</td>
<td>July 1, 2022</td>
</tr>
</tbody>
</table>

*Room and board is not included in these rates.
South Dakota Medicaid will make payments to medical providers who sign agreements with the State under which the provider agrees: (a) to accept as payment in full the amounts paid in accordance with the payment structures of the State; (b) to keep such records as are necessary to fully disclose the extent of the services provided to individuals receiving assistance under the State Plan; and (c) to furnish the State Agency with such information, regarding any payments claimed by such person or institution for services provided under the State Plan, as the agency may request from time to time.

The following describes policy and methods the agency uses to establish payment rates for each type of care and service, other than inpatient hospital or nursing home services, included in the State Plan. In no instance will the amount of payment under the provisions of this attachment exceed the payment made by the general public for identical services.

1. **Inpatient Hospital Services** (See Attachment 4.19-A)

2a. **Outpatient Hospital Services**

   Effective August 2, 2016, Medicare Prospective Payment System hospitals will be paid using the Medicaid Agency’s Outpatient Prospective Payments System (OPPS). Under OPPS, services are reimbursed using Ambulatory Payment Classifications. Effective August 2, 2016, the Department will establish a conversion factor and discount factor specific to each hospital. The hospital specific conversion factor and discount factors are published on the State agency’s website at [http://dss.sd.gov/medicaid/providers/feeschedules/dss/](http://dss.sd.gov/medicaid/providers/feeschedules/dss/). Effective July 1, 2022, the conversion factor for Medicare Prospective Payment System hospitals paid using the Medicaid Agency’s OPPS will be increased by 6.0 percent for hospitals with a conversion factor less than the Medicare conversion factor.

   South Dakota Medicaid will pay remaining participating outpatient hospitals with more than 30 Medicaid inpatient discharges during the hospital’s fiscal year ending after June 30, 1993 and before July 1, 1994 on the basis of Medicare principles of reasonable reimbursement with the following exceptions:

1. **Costs associated with certified registered nurse anesthetist services** are allowable costs. These costs are identified on the CMS 2552-10 on Worksheet A-8 and included in the facilities’ costs.

2. **All capital and education costs incurred for outpatient services** are allowable costs. These costs are identified on the CMS 2552-10 on Worksheet D Part III and included in the facilities’ costs.

3. **Payments to Indian Health Service outpatient hospitals will be per visit and based upon the approved rates published each year in the Federal Register by the Department of Health and Human Services, Indian Health Service, under the authority of sections 321(a) and 322(b) of the Public Health Service Act (42 U.S.C. 248 and 249(b)), Public Law 83-568 (42 U.S.C. 2001(a)), and the Indian Health Care Improvement Act (25 U.S.C. 1601 et seq.).** The State agency will make payments for visits of the same type of service on the same day at the same provider location only if the services provided are different or if they have different diagnosis codes.
FILINGS WITH THE LEGISLATIVE RESEARCH COUNCIL

Notice of Proposed Rules

Date in parentheses indicates when rules were filed with the Legislative Research Council.
Copies of proposed rules may be obtained for no charge at https://rules.sd.gov or from the agency directly.

State Board of Finance (Office of the Secretary of State): (June 21, 2022) intends to amend rules to increase the mileage rates for state employees performing official state business. The general authority for these rules, as cited by the board, is SDCL 3-9-1 and 3-9-2.

A public hearing will be held in the Governor’s Small Conference Room, Second Floor, State Capitol, 500 East Capitol Avenue, Pierre, South Dakota, on July 19, 2022, at 2:00 p.m. (CT). Copies of the proposed rules may be obtained without charge from, and written comments may be sent to, Secretary of State, 500 East Capitol Avenue, Room 204, Pierre, South Dakota 57501. Written comments may also be emailed to sdsos@state.sd.us. Material sent by mail or email must reach the board by July 15, 2022, to be considered.

This hearing is being held in a physically accessible location. Persons with special needs for which the board can make arrangements may call (605) 773-3537 at least 48 hours before the public hearing.

Notices

The Department of Social Services intends to make changes to the South Dakota Medicaid State Plan to implement inflationary rate increases appropriated by the state legislature during the 2022 Legislative Session, effective July 1, 2022. The updated fee schedules will be posted at https://dss.sd.gov/medicaid/providers/feeschedules/. South Dakota Medicaid providers should continue to submit claims and bill South Dakota Medicaid as they did prior to July 1, 2022. Fee schedules are the maximum allowable reimbursement amount; per ARSD 67:16:01:09, payment for services is limited to the provider’s usual and customary charge. The State Plan Amendment (SPA) also clarifies that instate long-term acute care hospitals are reimbursed on a per diem basis. The SPA revises Attachment 4.19-A, pages 1, 5, 7, 8, 10a, and 10b, and Attachment 4.19-B, Introduction page 1 and page 1a. The department intends to make the SPA effective July 1, 2022.

The following services are receiving a six percent inflationary increase: instate DRG inpatient hospital services, instate DRG exempt inpatient hospitals/hospital units, and instate APC outpatient hospital services; optometric services; chiropractic services; nutritionists and dietician services; clinic services; eyeglasses; diabetes self-management training; nurse midwife services; community transportation; secure medical transportation; air and ground ambulance transportation; home health agencies; independent mental health practitioners services; nutrition items; personal care services; child private duty nursing; freestanding birth centers; disproportionate share hospital payment pools; and graduate medical education payment pools.

The following services are receiving a targeted rate increase or are being rebased:

<table>
<thead>
<tr>
<th>Service</th>
<th>Type</th>
<th>Method</th>
</tr>
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<tr>
<td>Community Health Worker Services</td>
<td>Targeted Increase</td>
<td>Code 98960 - $30.89; Code 98961 - $15.45; Code 98962 - $10.81</td>
</tr>
<tr>
<td>Dental Services including Orthodontic Services and Dentures</td>
<td>Targeted increase</td>
<td>Procedure codes with high utilization – 8.38% increase; Orthodontic and Preventative Services – 2% increase; certain codes are subject to both increases</td>
</tr>
<tr>
<td>Supplies, Orthotics, and Prosthetics</td>
<td>Rebased</td>
<td>Procedure codes with rates above 100% of Medicare – rebased to 100%; codes below 90% of Medicare – rebased to 90%; codes with no utilization – rebased to 90%; other codes – subject to 6% inflationary increase</td>
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<tr>
<td>Occupational, Speech, and Physical Therapy</td>
<td>Rebased</td>
<td>Certain procedure codes – rebased to 65%; other codes, including rebased codes – subject to 6% inflationary increase; HM modifier revised to reimburse assistants at a maximum of 90% of established rate</td>
</tr>
<tr>
<td>Physician Administered Drugs</td>
<td>Rebased</td>
<td>Procedure codes - rebased to 100% of Medicare or a surrounding state average; other codes – subject to 6% inflationary increase</td>
</tr>
<tr>
<td>Physician Services</td>
<td>Rebased</td>
<td>Procedure codes with rates above 100% of Medicare – rebased to 100%; codes paid rates below 62% - rebased to 66%; codes with no utilization – rebased to 90%; other codes – subject to 6% inflationary increase</td>
</tr>
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The department estimates the total annual aggregate increase in expenditures will be: inpatient hospital services - $11,228,959.85; outpatient hospital services - $2,423,927.78; physician services include EPSDT screenings/treatment, and professional services provided in a freestanding birth clinic - $6,814,193.42; Dental services including orthodontic services and dentures - $1,514,313.74; optometric services - $167,153.70; chiropractic services - $54,878.22; disproportionate share hospital payments - $59,457.00; graduate medical education payments - $186,837.00; other medical services (including independent mental health practitioners services; nutritionists and dietician services; supplies, orthotics, and prosthetics; clinic services; physical therapy; occupational therapy; speech, hearing, or language disorder services; prosthetic devices; eyeglasses; diabetes self-management training; nurse midwife services; community transportation; secure medical transportation; air and ground ambulance transportation; nutrition items; home health services; personal care services; child private duty nursing; and community health worker services) - $1,923,591.02.

The SPA is available to view on the department’s website at http://dss.sd.gov/medicaid/medicaidstateplan.aspx. Copies of the proposed SPA pages are also available at the Department of Social Services, Division of Medical Services. Written requests for a copy of these changes, and corresponding comments may be sent to Division of Medical Services, Department of Social Services, 700 Governors Drive, Pierre, South Dakota 57501-2291.

The Department of Social Services intends to make changes to the South Dakota Medicaid State Plan to implement inflationary rate increases appropriated by the state legislature during the 2022 Legislative Session, effective July 1, 2022. The Health Home Quality Incentive payment and Tier 1, Tier 2, and Tier 3 Per Member per Month payments will receive a six percent inflationary increase. The updated fee schedule will be posted on the department’s website at https://dss.sd.gov/medicaid/providers/feeschedules/. The State Plan Amendment (SPA) revises the Health Homes MACPro payment methodology pages. The department intends to make the SPA effective July 1, 2022 and estimates the fiscal impact will be $38,336 in Federal Fiscal Year 2022 and $153,343 in Federal Fiscal Year 2023.

The SPA is available to view on the department’s website at http://dss.sd.gov/medicaid/medicaidstateplan.aspx. Copies of the proposed SPA pages are also available at the Department of Social Services, Division of Medical Services. Written requests for a copy of these changes, and corresponding comments may be sent to Division of Medical Services, Department of Social Services, 700 Governors Drive, Pierre, South Dakota 57501-2291.

Notice of Holiday Hours

The Legislative Research Council office will be closed Monday, July 4, 2022, for the Independence Day holiday. The office reopens for regular business hours at 8:00 a.m. on Tuesday, July 5, 2022.
Good Morning,

South Dakota Medicaid is implementing inflationary rate increases effective July 1, 2022 for services provided in FY 2023. Updated fee schedules are available online at https://dss.sd.gov/medicaid/providers/feeschedules/. Fee schedules list the maximum allowable reimbursement amount; per ARSD 67:16:01:09 payment for services is limited to the lesser of the provider’s usual and customary charge or the fee schedule amount. South Dakota Medicaid providers should continue to submit claims and bill South Dakota Medicaid as they did prior to July 1, 2022.

The following services are receiving a 6.0 percent inflationary increase:
- Instate DRG Inpatient Hospital Services, Instate DRG Exempt Inpatient Hospitals/Hospital Units, and Instate APC Outpatient Hospital Services
- Optometric Services
- Chiropractic Services
- Nutritionists and Dietician Services
- Clinic Services
- Eyeglasses
- Diabetes Self-Management Training
- Nurse Midwife Services
- Community Transportation
- Secure Medical Transportation
- Air and Ground Ambulance Transportation
- Home Health Agencies
- Independent Mental Health Practitioners Services
- Nutrition Items
- Personal Care Services
- Child Private Duty Nursing
- Freestanding Birth Centers
- Disproportionate Share Hospital Payment Pools
- Graduate Medical Education Payment Pools

The following services are receiving a targeted rate increase or are being rebased:

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<td>Increase Details</td>
</tr>
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<td>-----------------------------------------------</td>
<td>---------------</td>
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| Dental Services including Orthodontic Services and Dentures | Targeted Increase | • Procedure codes with high utilization are receiving an 8.38% increase  
• Orthodontic and Preventative Services are receiving a 2.0% increase  
• Certain codes are subject to both increases |
| Supplies, Orthotics and Prosthetics           | Rebased       | • Procedure codes with rates above 100% of Medicare are rebased to 100% of Medicare  
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• Procedure codes with no utilization are rebased to 90% of Medicare  
• Other procedure codes are subject to a 6% inflationary increase |
| Occupational, Speech, and Physical Therapy    | Rebased       | • Certain procedure codes are rebased to 65% of Medicare.  
• Other codes including rebased codes are subject to a 6% inflationary increase  
• HM modifier revised to reimburse assistants at a maximum of 90% of the established rate |
| Physician Administered Drugs                  | Rebased       | • Procedure codes are rebased to 100% of Medicare or a surrounding state average  
• Other procedure codes are subject to a 6% inflationary increase |
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• Codes paid rates below 62% of Medicare are rebased to 66% of Medicare  
• Procedure codes with no utilization are rebased to 90% of Medicare  
• Other procedure codes are subject to a 6% inflationary increase |

If you have any questions, please contact the Division of Medical Services at 1-800-452-7691.

Sincerely,

**South Dakota Medicaid**  
Department of Social Services  
700 Governors Drive
This message is being sent by or on behalf of the South Dakota Department of Social Services. It is intended exclusively for the individual or entity to which it is addressed. This communication may contain information that is proprietary, attorney-client privileged, confidential, or otherwise legally exempt from disclosure. If you are not the named addressee, you are not authorized to read, print, retain, copy, or disseminate this message or any part of it. If you have received this message in error, please notify the sender immediately by telephone at (605) 773-3495 or by reply transmission by e-mail, and delete all copies of the message.

The Department of Social Services does not exclude, deny benefits to, or otherwise discriminate against any person on the basis of actual or perceived race, color, religion, national origin, sex, age, gender identity, sexual orientation or disability in admission or access to, or treatment or employment in its programs, activities, or services. For more information about this policy or to file a Discrimination Complaint you may contact: Discrimination Coordinator, Director of DSS Division of Legal Services, 700 Governor’s Drive, Pierre SD 57501, 605-773-3305.

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June 27, 2022

RE: South Dakota Medicaid State Plan Amendment #SD-22-0010

The South Dakota Department of Social Services intends to make changes to the South Dakota Medicaid State Plan to implement inflationary rate increases appropriated by the state legislature during the 2022 legislative session effective July 1, 2022.

The updated fee schedules will be posted on the department’s website at: http://dss.sd.gov/medicaid/providers/feeschedules/dss/. South Dakota Medicaid providers should continue to submit claims and bill South Dakota Medicaid as they did prior to July 1, 2022. Fee schedules are the maximum allowable reimbursement amount; per ARSD 67:16:01:09 payment for services is limited to the provider’s usual and customary charge. The SPA also clarifies that instate long-term acute care hospitals are reimbursed on a per diem basis.

The proposed amendment revises Attachment 4.19-A, pages 1, 5, 7, 8, 10a, and 10b, and Attachment 4.19-B, Introduction page 1 and page1a. The Department intends to make this SPA effective July 1, 2022.

The following services are receiving a 6.0 percent inflationary increase:
- Instate DRG Inpatient Hospital Services, Instate DRG Exempt Inpatient Hospitals/Hospital Units, and Instate APC Outpatient Hospital Services
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| Occupational, Speech, and Physical Therapy         | Rebased               | • Certain procedure codes are rebased to 65% of Medicare.  
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• HM modifier revised to reimburse assistants at a maximum of 90% of the established rate |
| Physician Administered Drugs                       | Rebased               | • Procedure codes are rebased to 100% of Medicare or a surrounding state average  
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The department estimates the total annual aggregate increase in expenditures will be the following:

- Inpatient Hospital Services - $11,228,959.85
- Outpatient Hospital Services - $2,423,927.78
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  - Nutrition Items
  - Home Health Services
  - Personal Care Services
  - Child Private Duty Nursing
  - Community Health Worker Services

Please contact me within 30 days of receipt of this message with any questions or comments.

Sincerely,

Matthew Ballard
Deputy Director
Division of Medical Services
South Dakota Department of Social Services

CC: Laurie R. Gill, Cabinet Secretary
    Sarah Aker, Director
Medicaid State Plan Amendment Proposal

Transmittal Number: SD-22-0010

Effective Date: 7/1/22

Brief Description: The South Dakota Department of Social Services intends to make changes to the South Dakota Medicaid State Plan to implement inflationary rate increases appropriated by the state legislature during the 2022 legislative session effective July 1, 2022.

Area of State Plan Affected: Attachment 4.19-A and 4.19-B

Page(s) of State Plan Affected: revises Attachment 4.19-A, page 1, 5, 7, 8, 10a, and 10b, and Attachment 4.19-B, Introduction page 1 and page 1a.

Estimate of Fiscal Impact, if Any: The estimated expenditures are solely due to rate increases. No rates are being decreased. The fiscal impact associated with this SPA is estimated to be $6,054,992.09 in FFY 2022 and $24,219,968.35 in FFY 2023.

Reason for Amendment: Implement inflationary increases appropriated by the state legislature.