SD - Submission Package - SD2026MS0001O - (SD-26-0004) - Health Homes

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Financial Management Group
230 South Dearborn
Chicago, IL 60604

Center for Medicaid & CHIP Services

October 30, 2026

Brenda Tidball-Zeltinger
Interim Cabinet Secretary
Department of Social Services
700 Governors Drive
Pierre, SD 57501

Re: Approval of State Plan Amendment SD-26-0004 MIGRATED_HH.South Dakota Health Homes

Dear Brenda Tidball-Zeltinger,

On August 06, 2026, the Centers for Medicare and Medicaid Services (CMS) received South Dakota State Plan Amendment (SPA) SD-26-0004 to Implement an inflationary increase of 1.4% to the Health Home Per Member Per Month and Clinical Outcome Measure payment rates.

We approve South Dakota State Plan Amendment (SPA) SD-26-0004 with an effective date(s) of July 01, 2026.

If you have any questions regarding this amendment, please contact matthew klein at 214-767-6425 or matthew.klein@cms.hhs.gov.

Sincerely,

Todd McMillion

Director, Division of Reimbursement Review

Center for Medicaid & CHIP Services

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CMS-10434 OMB 0938-1188

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Package Header

Package ID SD2026MS0001O
SPA ID SD-26-0004
Submission Type Official
Initial Submission Date 8/6/2026
Approval Date 10/30/2026
Effective Date 7/1/2026
Superseded SPA ID SD-25-0010
System-Derived

Payment Methodology

The State's Health Home payment methodology will contain the following features

- [x] Fee for Service
  - [ ] Individual Rates Per Service
  - [x] Per Member, Per Month Rates
    - [x] Fee for Service Rates based on
      - [x] Severity of each individual's chronic conditions
      - [ ] Capabilities of the team of health care professionals, designated provider, or health team
      - [ ] Other
  - [ ] Comprehensive Methodology Included in the Plan
  - [x] Incentive Payment Reimbursement
    - [x] Fee for Service Rates based on
      - [ ] Severity of each individual's chronic conditions
      - [ ] Capabilities of the team of health care professionals, designated provider, or health team
      - [x] Other

Describe below

South Dakota will provide a supplemental quality incentive payment to Health Homes when the Health Home intervention produces at least $3 million in savings through efficiencies. Savings through efficiencies is calculated by determining the per member per month (PMPM) for Health Home participants and individuals eligible for Health Homes that do not participate in the program. The PMPMs are multiplied by the number of Health Home member months and the numbers are compared to determine the amount of savings through efficiencies.

South Dakota Medicaid worked with a subgroup of the Implementation Workgroup to identify a payment methodology. The payment methodology is targeted to:

- Incentivize providers with small caseloads usually in rural and frontier areas to continue to participate in the program; and

- Reward providers who make progress towards reaching the established targets or meet/exceed the established target.

To receive either payment type, providers must have participated in the Health Home program during the outcome measurement year, be in good standing with the program by providing a core service to at least 50% of their caseload and reporting outcome measures for each recipient that was provided a core service. Payments are based on outcomes reported on a calendar year basis and average annual caseload and tier are calculated on a calendar year basis.

The amount is divided into the small caseload incentive payment and the clinical outcome measure payment. The small caseload incentive payment amount is divided equally between each qualifying designated Health Home.

South Dakota has 66 counties; only 2 of the 66 counties are urban. For statewide implementation, smaller providers in rural and frontier areas must participate. The small caseload payment promotes access to the Health Home program across the state by incentivizing participation when a caseload may not be large enough to support independent adoption of the program. This encourages health systems to implement the Health Home program in all locations, regardless of size.

To determine if a Health Home should receive the small caseload payment, South Dakota Medicaid will average the caseload receiving a Health Home core service for each Health Home for every month of the measurement year. To qualify for this payment, providers must have been an active Health Home Provider during the outcome measurement year and have an average caseload that received a core service of 15 or less.

The clinical outcome measure

payment is based on the clinical outcome measures submitted by each clinic to South Dakota Medicaid. These measures help demonstrate the successful provision of core services to Health Home recipients and demonstrates the provider's successful implementation of the Health Home model. South Dakota Medicaid worked with a subgroup to establish targets for each of the outcome measures. The outcome measure payment recognizes quality of care by rewarding providers who either improved from the previous calendar year on a specified measure or met/exceeded the established the target for each measure.

South Dakota Medicaid chose two types of measures for the new methodology:

1. Measures that showed successful implementation of the Health Home Model, where the clinic had complete control over the outcome.
2. Measures were also selected which required recipient compliance.

South Dakota worked with our stakeholder group to weight each measure appropriate. The weights of the 10 measures totaled 100.

Once weights were assigned, the past year's and the current year's outcomes were compared for each of the measures and if they improved from the previous year, they were awarded 0.5 points for the measure and if the met or exceeded the target, they were awarded 1.00 point for the measure.

A Severity Score was calculated for each clinic based on the average number of recipients in each Tier whom they provide a core service within the evaluation period and applied to each measure. Scores were assigned to each Tier as follows:

- Tier 1 - 0.25
- Tier 2 - 0.50
- Tier 3 - 0.75
- Tier 4 – 1.00

The severity score was calculated as follows [number of recipients in Tier 1*0.25] + [number of recipients in Tier 2 * 0.50] + [number of recipients in Tier 3 * 0.75] + [number of recipients in Tier 4 *

1.00].

A score was calculated for each measure using the following equation. (Improvement or attainment score * weight) * severity score.

The scores for each measure were added together to get a composite score for each clinic. The composite scores for each clinic were added together. Dollars are awarded for each point in the composite score by taking the dollars for the Clinical Outcome Payment and dividing it by the total composite score for all clinics. Then the dollar amount per point is multiplied by the composite score for each clinic to get the total payment for the Clinical Outcome Payment. A Health Home's total payment is the sum of the Small Caseload Incentive Payment and the Clinical Outcome Measure Payment.

The calculation and distribution methodology utilizes a payment pool. The calculation is attached as Attachment 1.

The supplemental quality incentive payment (Small Caseload Incentive Payment, Clinical Outcome Measure Payment) is distributed as an annual, lump sum amount. Payments will be made within 18 months following the end of the outcome measurement calendar year. The payment will be made to the provider through the MMIS system. Payments will be made directly to the qualifying provider through a supplemental payment mechanism and will appear on their remittance advice. Each provider will receive written notification at the time of payment of the payment amount from DMS.

Payments made in error 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.

Describe any variations in payment based on provider qualifications, individual care needs, or the intensity of the services provided

Each of the four tiers will have an individual per member per month (PMPM) payment. South Dakota will update the tier of each active recipient annually. PMPM payments were based on the estimated Uncoordinated Care Costs (UCC) for the eligible recipients. UCC includes the following: non-emergent ER usage, all cause readmission and ambulatory sensitive conditions. These estimates were developed from FY 2012 claims data and will serve as the baseline. Health Home services will be provided by Community Mental Health Centers (CMHC) and Primary Care Providers (PCP). The agency's rates are set and effective July 1, 2026 for services provided on or after that date. All rates are posted on the agency website at

https://dss.sd.gov/medicaid/providers/feeschedules/dss/. The state developed fee schedules are the same for both governmental and private providers of health home services.

- [ ] PCCM (description included in Service Delivery section)
- [ ] Risk Based Managed Care (description included in Service Delivery section)
- [ ] Alternative models of payment, other than Fee for Service or PMPM payments (describe below)

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Agency Rates

Describe the rates used

- ○ FFS Rates included in plan
- ◉ Comprehensive methodology included in plan
- ○ The agency rates are set as of the following date and are effective for services provided on or after that date

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Rate Development

Provide a comprehensive description in the SPA of the manner in which rates were set

1. In the SPA please provide the cost data and assumptions that were used to develop each of the rates;
2. Please identify the reimbursable unit(s) of service;
3. Please describe the minimum level of activities that the state agency requires for providers to receive payment per the defined unit;
4. Please describe the state's standards and process required for service documentation, and;
5. Please describe in the SPA the procedures for reviewing and rebasing the rates, including:
    - the frequency with which the state will review the rates, and
    - the factors that will be reviewed by the state in order to understand if the rates are economic and efficient and sufficient to ensure quality services.

Comprehensive Description Each of the four tiers will have an individual per member per month (PMPM) payment. PMPM payments were based on the estimated Uncoordinated Care Costs (UCC) for the eligible recipients. UCC includes the following: non-emergent ER usage, all cause readmission and ambulatory sensitive conditions. These estimates were developed from FY 2012 claims data and will serve as the baseline. In order to receive the PMPM payment, designated providers must provide at a minimum one core service per quarter. Core services provided must be documented in the EHR and responses must be submitted online following each quarter through the DSS online provider portal. The agency's rates are set and effective July 1, 2026 for services provided on or after that date. All rates are posted on the agency website at https://dss.sd.gov/medicaid/providers/feeschedules/dss/. The state developed fee schedules are the same for both governmental and private providers of health home services.

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Assurances

☑ The State provides assurance that it will ensure non-duplication of payment for services similar to Health Home services that are offered/covered under a different statutory authority, such as 1915(c) waivers or targeted case management.

Describe below how non-duplication of payment will be achieved

South Dakota has taken care to ensure the reimbursement model is designed to only fund Health Home Services that are not covered by any of the currently available Medicaid funding mechanisms. Quality assurance reviews by our vendor are in place to help ensure that there's no duplication of payment. Additionally, upon enrollment and annually thereafter, each Health Home receives training on the definition and criteria of a core service. This training specifies that a core services may not have already been billed to South Dakota Medicaid using a fee for service, encounter, or daily rate.

☑ The state has developed payment methodologies and rates that are consistent with section 1902(a)(30)(A).

☑ The State provides assurance that all governmental and private providers are reimbursed according to the same rate schedule, unless otherwise described above.

☑ The State provides assurance that it shall reimburse providers directly, except when there are employment or contractual arrangements consistent with section 1902(a)(32).

Optional Supporting Material Upload

Name	Date Created	
Health Home Payment Calculation Methodology with Example	6/4/2026 4:55 PM EDT	

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