



DEPARTMENT OF SOCIAL SERVICES

DIVISION OF MEDICAL
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Attention: Primary Care Program and Care Connect Providers

From: South Dakota Medicaid

RE: Medicaid Issues \$9 Million in new Value Based Payments

South Dakota Medicaid awarded \$9 million dollars in new value-based payments targeted at awarding and incentivizing quality care. Enhanced payments are being funded through Rural Health Transformation funds. Payments were issued to qualifying Primary Care Providers and Care Connect providers in September.¹ Clinics receiving the payments received direct outreach from Medicaid regarding the payment and payment amount. Clinics should use the funds for quality improvement activities in preparation for Medicaid's [Primary Accountable Care Transformation \(PACT\)](#) initiative, which is scheduled to go live in January 2028.

Primary Care Provider (PCP) Program

Implementation of a value based primary care payment is part of phase 1 of the Primary Accountable Care Transformation (PACT) initiative. This provides a \$7 million value-based payment pool for current PCP providers. The funds were awarded for provider performance on the following quality metrics in the South Dakota Medicaid PCP Provider Scorecard.

1. Adult Preventative Visit (Adults age 21 to 64 w/ a preventative visit during the performance period)
2. Breast Cancer Screening (BCS-AD)
3. Colorectal Screening (CCS-AD)
4. Well-Child Visits in the First 15 Months of Life (W30-CH, Rate 1)
5. Well-Child Visits in the First 30 Months of Life (W30-CH, Rate 2)
6. Child and Adolescent Well-Care Visits (WCV-CH)
7. Lead Screening (LSC-CH)
8. Pediatric ER Utilization (Number of ED visits per 1,000 beneficiary months for children age 0 to 19)
9. Adult ER Utilization (Number of ED visits per 1,000 beneficiary months for adults 20 years of age or older)

For additional information regarding the payment methodology, please see the attachment at the end of this bulletin.

¹ Per CMS guidance, Indian Health Service units are ineligible to receive Rural Health Transformation funds including these provider payments. Tribal 638 providers are eligible to receive Rural Health Transformation funds.

Care Connect Program

An additional \$2 million dollars in quality incentive payments were made to Care Connect providers in September in furtherance of the objective of improving health outcomes for individuals with chronic conditions. The additional \$2 million in funds were paid using the program's quality incentive payment methodology based on CY 2025 performance. This payment is separate from the existing annual quality incentive payment.

Payment and Performance Details

Clinic performance and payment amount are posted on the Medicaid [website](#). Payments are also documented on the provider's Medicaid remittance advice.

Sincerely,

South Dakota Medicaid

Attachment 1: PCP/PACT Program Value Based Payment Methodology

The following is an overview of the value based payment methodology. The final methodology is subject to change based on CMS guidance.

Performance Period

The performance period for the payment is calendar year 2025.

Attribution Methodology

Recipients are attributed to a PCP clinic on the basis of being on the PCP's caseload for at least 7 months during the performance period.

Primary Care and Preventative Measures

A \$6.5 million annual payment pool will be utilized for primary care and preventative measures listed below.

1. Adult Preventative Visit (Adults age 21 to 64 w/ a preventative visit during the performance period)
2. Breast Cancer Screening (BCS-AD)
3. Colorectal Screening (CCS-AD)
4. Well-Child Visits in the First 15 Months of Life (W30-CH, Rate 1)
5. Well-Child Visits in the First 30 Months of Life (W30-CH, Rate 2)
6. Child and Adolescent Well-Care Visits (WCV-CH)
7. Lead Screening (LSC-CH)

The proposed methodology for this calculation of primary care and preventative measures involves scoring each member on the caseload. For example, for breast cancer screening, if a Medicaid recipient qualifies for inclusion in the measurement denominator and met the requirements for inclusion in the numerator (meaning they had a mammogram), that is considered a quality outcome.

Example Calculation

1. The total \$6.5 million payment pool is divided by the total number of quality outcomes to arrive at a payment amount per quality outcome
 - a. Example: $\$6,500,000 \text{ payment pool} / 32,000 \text{ quality outcomes} = \$203.13 \text{ per quality outcome}$.
2. The payment per quality outcome is multiplied by a clinic's number of quality outcomes to arrive at their Primary Care and Preventative Measure payment amount.
 - a. Example: $\$203.13 \text{ per quality outcome} * 100 \text{ quality outcomes} = \$20,312.50 \text{ Primary Care and Preventative Measure payment amount}$.

Emergency Room Utilization Measures

The second pool of \$500,000 is awarded by comparing like-clinics (divided into 3 groupings) on their performance related to child and adult ER utilization measures listed below.

1. Pediatric ER Utilization (Number of ED visits per 1,000 beneficiary months for children age 0 to 19)
2. Adult ER Utilization (Number of ED visits per 1,000 beneficiary months for adults 20 years of age or older)

The proposed methodology for this calculation of ER utilization measures involves scoring each clinic based on their performance related to achieving a better (in this case, lower) score than their group's target, as well as their own performance in comparison to the previous year. The target is defined as a minimally statistically significant improvement, at a 95% confidence level, from the mean. The mean

was calculated as the average of the measure outcomes for the last 3 years to account for uncontrollable variability year to year.

Points were awarded in the following manner separately for each of the pediatric and adult ER utilization measures:

- 1 point: the clinic met the target without declining 2 percentage points or more in performance from the previous year.
- 0.5 points: the clinic met the target but declined in performance 2 percentage points or more from the previous year.
- 0.5 points: the clinic did not meet the target but improved in performance from the previous year.

Example Calculation

1. The \$500,000 funding pool is divided by the sum of each clinic's score to arrive at a payment amount per point.
 - a. Example: $\$500,000 \text{ payment pool} / 200 \text{ points} = \$2,500 \text{ per point}$.
2. The payment per point is multiplied by a clinic's total score for each measure to arrive at the Emergency Room Utilization payment amount.
 - a. Example : $\$2,500 * 1.5 \text{ points} = \$3,750 \text{ Emergency Room Utilization payment amount}$.