South Dakota Department of Social Services (DSS) Federally Qualified Health Center (FQHC) and Rural Health Clinic (RHC) Services Rate Study

Stakeholder Workgroup Session

June 26, 2025

PUBLIC CONSULTING GROUP

Solutions that Matter

Agenda

Introductions & Project Overview

Introductions & Project Overview

Public Consulting Group LLC (PCG) partnered with the South Dakota Department of Social Services (SD DSS) in March 2025 to conduct a comprehensive rate study of Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs).

The goals of this project include the following:

o Performing an in-depth **analysis of current reimbursement policies**

o Evaluating existing **changes in scope of services** policies and processes

o Exploring **alternative payment model** options

o Identifying **areas for improvement and providing detailed recommendations** to achieve **better health outcomes and reduce healthcare costs**

Purpose of Presentation

Purpose of Presentation

PCG and SD DSS hope to **closely collaborate with FQHC and RHC providers** throughout the project timeline to ensure the proposed rates and policy changes align with clinics' needs and expectations and create better health outcomes for all.

This presentation is intended to encourage **provider participation in this process** by highlighting the project's goals, engaging in ongoing discussion with key stakeholders, and identifying areas for improvement in the FQHC and RHC space pertaining to current rates and policy.

Inform providers on the overall project and its key phases

Review the provider survey distributed in May 2025

Allow a space for discussion of key areas for improvement and overall feedback

Implementation of any adopted recommendations will be contingent on state and federal approval, state rule-making, and the state's budget process.

Rate Reform & Policy Review Process

Rate Reform & Policy Review Process

This project has been outlined into 6 distinct phases:

1. **Data Collection:**
   - PCG received relevant data from DSS, retrieved publicly available data sources, and distributed a provider survey

2. **Research & Planning**
   - Additional research was conducted to prepare a cost analysis on current rate policy and evaluate alternative models utilized in peer states' programs

3. **Stakeholder Engagement**
   - A stakeholder workgroup meeting was organized to incorporate provider feedback on areas of improvement and the current landscape for FQHCs and RHCs across the State

4. **Rate Model Development & Fiscal Analysis**
   - Rate models will be developed following a comprehensive review of the data gathered, evaluated, and incorporated following stakeholder and state feedback
   - A fiscal impact analysis will be conducted to ensure health outcomes are improved while keeping health costs efficient

5. **Create Final Report**
   - PCG will develop a final report documenting the potential rate and policy recommendations in August 2025

6. **DSS will take action based on the final report to inform budget and legislative decisions**

Data Collection: Gather data from DSS, provider surveys and publicly available data sources

Research and Planning: Perform research and cost analysis on the current model and alternative models
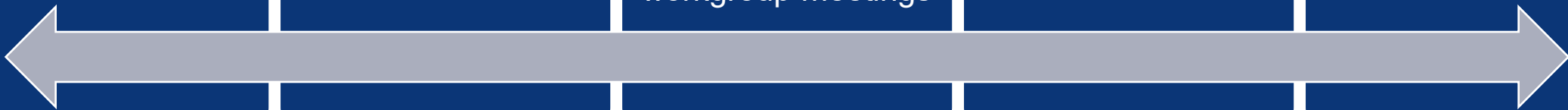
Stakeholder Engagement: Facilitate ongoing stakeholder engagement including stakeholder workgroup meetings

Rate Model Development: Develop rate models and a fiscal impact calculation

Reporting: Develop a final report documenting financial and policy recommendations

Provider Survey

Provider Survey

A provider survey was administered to providers in May 2025 to collect detailed data on the following:

- o Organizational Information
- o Range of services provided
- o Cost report participation status
- o Direct costs and hours for clinical and ancillary staff
- o Overhead and administrative costs
- o Non-reimbursable services' costs
- o Barriers to healthcare services across the FQHC and RHC landscape
- o The impact of reimbursement opportunities and Alternative Payment Model (APM) or care transformation initiatives

11 providers responded between May 14, 2025, and June 13, 2025.

Provider Survey Takeaways

- 25 total unique FQHC and RHC site locations were identified within the cost report data

- Common barriers in delivering healthcare services in an FQHC/RHC:
  - Insufficient reimbursement for providers
  - Reimbursement rates do not cover full cost of care
  - Patient no-shows

- Common challenges related to reimbursement rates:
  - Reimbursement rates fall significantly below actual cost of care, particularly in rural and underserved areas
  - Medicare Economic Index (MEI) / Prospective Payment System (PPS) adjustments have not kept pace with inflation, rising staffing costs, or service delivery demands

Provider Survey Takeaways – Continued

- Top 3 services considered critical but not adequately reimbursed:

  - Behavioral health

  - Dental care

  - Substance abuse treatment

- Common barriers in the change of scope of services process:

  - Lack of clarity and consistency in scope change guidance and definitions across Medicaid staff and over time

  - Unclear or inadequate rate adjustment methodology following scope changes, leaving organizations unable to plan financially

  - Cumbersome documentation and regulatory requirements, including time-consuming audits and slow feedback or approval processes

Questions for Discussion

Questions for Discussion

Questions?
- The chat function is available for questions and feedback
- Please use the raise hand feature if you would like to speak
- Microphone and Video is enabled for participant questions

Additional Feedback
- Submit questions and/or feedback to our project email sdfqrhc@pcgus.com following the presentation
- All comments will be reviewed and incorporated as appropriate

Rate Reform & Policy Review Process

Service Categorizations

As a part of the research and planning phase, PCG has analyzed claims data provided by DSS to categorize services into overarching groups. The following **6 core categories** have been identified from the claims data:

- Primary Care

- Behavioral Health

- Dental Care

- Laboratory and Diagnostic

- Pediatric Services

- Women's Health

Questions for Discussion

Change in Scope of Services

A change in scope of services is defined as adding a new service into the current per diem service base or removing a service that is in the existing service base.

- A change in the cost of a service is not considered a change in the scope of services
- A change in the scope of services occurs if:
    - The FQHC/RHC has made a material change in services through the addition or deletion of any service that meets the definition of an FQHC/RHC; and
    - The service is covered by South Dakota Medicaid

Reimbursement Methodologies Overview

➢ **Current Reimbursement Model: Prospective Payment System (PPS)**

- A standard reimbursement methodology where FQHCs and RHCs are paid a **fixed, per-visit rate** for Medicaid-covered services, rather than billed for each individual service

➢ **Alternative Payment Methodology (APM)**

- A reimbursement methodology that replaces or supplements the standard PPS methodology by ensuring rates **at least meet or even exceed PPS rates**
- APMs **pay for outcomes rather than visits** through per-member-per-month (PMPM), bundled, or hybrid model payments. This can promote healthcare innovation, simplify billing processes, and enhance financial predictability

➢ **Value-Based Purchasing (VBP)**

- A reimbursement methodology that focuses on quality and efficiency by rewarding providers with **enhanced rates for meeting predetermined healthcare outcome and cost benchmarks**

Contact Information & Next Steps

Contact Information

Thank you for participating in today's workgroup session!

Your insights are critical in helping us gain a deeper understanding of current reimbursement methodologies and inform our recommendations to DSS.

Please reach out to us for further feedback and questions at the following contact:

Reach out to our project inbox: **sdfgrhc@pcgus.com**