

August 19, 2025

South Dakota Medicaid

Critical Access Hospital
Reimbursement Methodology
Update

Housekeeping



MUTE

All lines have been muted for the duration of this webinar.



QUESTIONS

Feel free to ask questions
using the chat panel at any
point during today's
session.



RECORDING

This session is being recorded.



HELP

Ask a question using the chat panel or SD DSS.



Agenda

- 1. Introductions
- 2. Recap of Current Payment Methodologies
- 3. Recommended Payment Methodology Changes
- 4. Cost Settlement Process
- 5. Proposed Timelines
- 6. Q&A



Team

Department of Social Services Team

- Heather Petermann, Medicaid Director
- Matthew Ballard, Medicaid Deputy Director
- Claudean Hluchy, Deputy Finance Officer
- Renae Hericks, Policy and Programs Manager
- Lori Langdeaux, Provider Reimbursement and Audits Manager
- Josh Goeden, Provider Reimbursement and Audits

Myers And Stauffer Team

- Abbigail Kern
- Andrew Townsend
- Joe Gamis
- Tim Guerrant



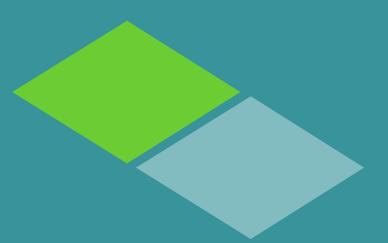
Overview

- Current Medicaid in-state CAH reimbursement methodologies are resulting in a wide range of cost coverage outcomes ranging from approximately 60% cost coverage to approximately 200% cost coverage.
- Medicaid original proposed updating the methodology to more closely align w/ Medicare's cost-based reimbursement.
- Medicaid heard feedback from providers that the transition required longer glidepath for providers who were going to experience reductions in reimbursement and as a result updated methodology and modeling to introduce a phase-in plan.
- This meeting will provide on overview of the phase-in methodology, highlevel examples of claims pricing, and review cost settlement details.





Recommended Payment Methodology Changes



Updated Inpatient Payment Methodologies

Hospital Type	Current Reimbursement	Updated Reimbursement		
	Methodology	Methodology		
In State Critical Access Hospitals	MS-DRG or 95% UCC	Hospital Specific Percent of		
		Charge Rate * UCC with		
		Phase-In Approach		
Out-of-State Critical Access Hospitals	44.15% UCC	APR-DRG		



Recommended Inpatient Payment Methodology Changes In State CAH – % UCC with Cost Settlement

Reimbursement Component	Updated Reimbursement Methodology
Rate	 Hospital Specific Percent of Charge Rate (PCR) – Phase In Approach 18 Months Paid at Prospective Interim Rate (starting January 1, 2026) Hospital specific PCR set to 100% - 125% based on historical pay to cost ratio Cost settlement process w/additional payment if below 100%. No recoupment. After 18 Months (Starting July 1, 2027) Hospital specific PCR set to 100% Cost Settlement process
Charges	Usual and Customary Charges



Recommended Inpatient Payment Methodology Changes In State CAH – % UCC with Cost Settlement Reimbursement Logic

Current Reimbursement Methodology	Reimbursement Logic	Updated Reimbursement Methodology	
MS-DRG	(Target Amount * MS-DRG Weight) + (Capital Amount * Covered Days) + Outlier Payment = Total Claim Payment	Percent of UCC	
Percent of UCC	Percent UCC Rate * Billed Charges = Total Claim Payment		á

Updated Reimbursement Methodology	Reimbursement Logic
Percent of UCC	Hospital Specific Percent of Charge Rate * Billed Charges = Interim Claim Payment
	After Phase-In: Cost Settlement in aggregate for IP and OP services.



Recommended Inpatient Payment Methodology Changes In State CAH – % UCC with Cost Settlement Claim Example

Current Reimbursement Methodology	Reimbursement Logic
MS-DRG	Billed Charges: \$6,500 Covered Days: 2 MS-DRG: 776 MS-DRG Weight: 0.6177 Target Amount: \$2,000 Capital Amount: \$250 Outlier = \$0
	Total Claim Payment: (\$1,000 * 0.6177) + (\$250 * 2) + \$0 = \$1,175

Updated	Reimbursement Logic
Reimbursement	
Methodology	
Percent of UCC with Cost	Percent of Charge Rate: 68%
Settlement	Billed Charges: \$6,500
	Interim Claim Payment:
	(.68 * \$6,500) = \$4,420



Recommended Inpatient Payment Methodology Changes In State CAH – % UCC with Cost Settlement Claim Example

Current Reimbursement Methodology	Reimbursement Logic
Percent of UCC	Percent of Charge Rate: 95% Billed Charges: \$6,500
	Total Claim Payment: (.95 * \$6,500) = \$6,175

Updated	Reimbursement Logic
Reimbursement	
Methodology	
Percent of UCC with Cost	Percent of Charge Rate: 68%
Settlement	Billed Charges: \$6,500
	Interim Claim Payment:
	(.68 * \$6,500) = \$4,420



Updated Outpatient Payment Methodologies

Hospital Type	Current Reimbursement	Updated Reimbursement	
	Methodology	Methodology	
In-state Critical Access Hospitals	Percent of Charge	Hospital Specific Percent	
	 Labs – Fee for Service 	of Charge Rate *	
	• Some Surgeries – Fee for	UCC with Phase-In Approach	
	Service		
Out-of-State Hospitals	Percent of Charge	APC with Enhanced Base	
	 Labs – Fee for Service 	Rate	
	• Some Surgeries – Fee for		
	Service		



Recommended Outpatient Payment Methodology Changes In State CAH – % UCC with Cost Settlement

Reimbursement Component	Updated Reimbursement Methodology		
Rate	 Hospital Specific Percent of Charge Rate 18 Months Paid at Prospective Interim Rate (starting January 1, 2026) Hospital specific PCR set to 100% - 125% based on historical pay to cost ratio Cost settlement process w/additional payment if below 100%. No recoupment. After 18 Months (Starting July 1, 2027) Hospital specific PCR set to 100% 		
Charges	Cost Settlement process Usual and Customary Charges		



Recommended Outpatient Payment Methodology Changes In State CAH – % UCC with Cost Settlement Lab Example

			Current Reimbursement Methodology			
Line Number	Procedure Code		Fee	Units		Payment
1	80053	\$	10.56	1	\$	10.56
2	85025	\$	7.77	1	\$	7.77
3	80061	\$	13.39	1	\$	13.39
		Tota	ıl Claim Paym	ent: \$31 72	\$	31.72

	Updated Reimbursement Methodology							
	Charges	Estii	nated Cost	Hospital- Specific Percent of Charge		Payment		
\$	192.00	\$	54.86	32.00%	\$	61.44		
\$	129.00	\$	36.86	32.00%	\$	41.28		
\$	129.00	\$	36.86	32.00%	\$	41.28		
\$	450.00	\$	128.58		\$	144.00		
Total Claim Payment: (\$450.00 * 32.00% = \$144.00)								



Recommended Outpatient Payment Methodology Changes In State CAH – % UCC with Cost Settlement Example

		Current Reimbursement Methodology				
Line Number	Procedure Code	Fee	Units		Charges	Payment
1	80053	10.56	1	\$	192.00	\$ 10.56
2	86140	5.18	1	\$	100.00	\$ 5.18
3	85025	7.77	1	\$	129.00	\$ 7.77
4	0241U	142.63	1	\$	546.00	\$ 491.40
5	71046		1	\$	428.00	\$ 385.20

	\$ 900.11
Lab Lines Payment: \$23.51	
90% of UCC Payment: \$876.60	
Total Claim Payment: (\$23.51 + \$876.60 = \$900.11)	

Updated Reimbursement Methodology							
	Charges	Estimated Cost	Hospital- Specific Percent of Charrge		Payment		
\$	192.00	\$ 43.63	30.72%	\$	58.98		
\$	100.00	\$ 22.73	30.72%	\$	30.72		
\$	129.00	\$ 29.32	30.72%	\$	39.63		
\$	546.00	\$ 124.07	30.72%	\$	167.73		
\$	428.00	\$ 47.65	30.72%	\$	131.48		
\$	1,395.00	\$ 267.40		\$	428.54		
Interim Claim Payment: (\$1,395.00 * 30.72% = \$428.54)							



Recommended Outpatient Payment Methodology Changes In State CAH – % UCC with Cost Settlement Surgical Example

		Current Reimbursement Methodology			
Line Number	Procedure Code	ASC Group	ASC Rate	Payment	
1	69436	3	\$ 449.17	\$ 449.17	
2	J3490			\$ -	
3	00926		 	\$ -	
4				\$ -	
-					

\$ 449.17

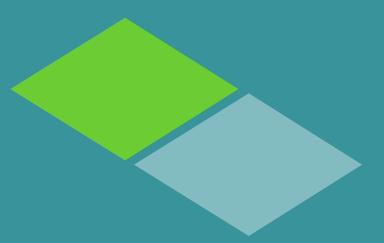
Total Claim Payment: \$449.17

	Updated Reimbursement Methodology						
	Charges	Est	timated Cost	Hospital- Specific Percent of Charrge		Payment	
\$	2,483.00	\$	501.54	36.36%	\$	902.82	
\$	2.69	\$	0.65	36.36%	\$	0.98	
\$	1,215.20	\$	270.63	36.36%	\$	441.85	
\$	2,013.00	\$	406.60	36.36%	\$	731.93	
\$	5,713.89	\$	1,179.42		\$	2,077.57	
Inte	Interim Claim Payment: (\$5,713.89 * 36.36% = \$2,077.57)						





Cost Settlement Process



Cost Settlement Phase-in

- Annual Cost Report Submission
- Provider Reimbursement and Audit (PRA) Team Review
- No recoupment for payments in the phase-in
- Additional payment up to 100% if interim payments did not provide 100% cost coverage



- Annual Cost Report Submission
- Provider Reimbursement and Audit (PRA) Team Review
- Amended Cost Reports & Audits
- Initial Percent of Charge Calculations
- Recalculation of Percent of Charge Rates



Annual Cost Report Submission

- Critical Access Hospitals must submit their Medicare 2552-10 cost report to South Dakota Medicaid within 5 months of their fiscal year end (same submission timeline as Medicare).
 - Extensions: If a filing deadline extension is requested by the facility to Medicare, the extension request, and approval must be submitted to SD Medicaid as well.
 - Submission Package:
 - ECR and Print Image (PI) files
 - Revenue Code Crosswalk to Cost Report Cost Centers
 - Include allocation percents (if applicable)
 - If no crosswalk is supplied, a standard crosswalk will be utilized



Review and Settlement

- All settlements will be completed on a State Fiscal Year (SFY) basis.
 - Claims Data = SFY
 - Cost Report = Most recent FY ending submitted at time of settlement



Amended Cost Reports and Audits

- Amended cost reports may be submitted to correct material errors, but only within the given criteria:
 - Final settlement <u>has not been</u> issued to the provider.
 - Total estimated settlement difference is greater than \$10,000.
- If an internal or external audit reveals overpayment or underpayment, findings must be reported within 60 days or by the cost report due date, whichever is later (but not more than 2 fiscal years after the audit).



Interim Rate Setting

Initial Calculation of Hospital Specific Percent of Charge Rates

- Interim rates for in-state hospitals are set to a hospital specific percent of charge that is intended to pay close to 100% of costs prospectively.
- Methodology to establish the initial hospital specific CCR:
 - Medicaid claims are summarized to the Revenue Code level per hospital.
 - The 2552-10 Cost Report cost center Per Diems and CCRs are extracted.
 - Per Diems Worksheet D-1 Part II
 - CCRs Worksheet C, Part I
 - Summarized revenue code level detail is mapped to cost report cost centers using a standard crosswalk.
 - Routine Revenue Codes: The cost report per diem is multiplied by covered days to calculate estimated costs.
 - Ancillary Revenue Codes: The cost report CCR is multiplied by covered charges to calculate estimated costs.
 - Calculated Costs are divided by charges to generate the interim CCR.



Interim Rate Setting

Recalculation of Hospital Specific Percent of Charge Rates

- Every 2 state fiscal years, or as directed by the legislature, SD Medicaid will update each CAH's payment rate based on the last two cost settlements completed.
- Interim rate reviews can be requested if the provider experiences a material change in estimated costs or services provided.



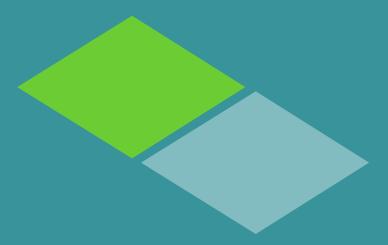
Cost Settlement Next Steps

Release of trainings for the hospitals on the cost report submission process & requirements.





Next Steps



Next Steps

- 1. Updated modeling showing the phase-in methodology is available upon request by emailing DSS.Medicaid@state.sd.us.
- 2. Medicaid is continuing to work with the state IT team on system changes.
- 3. Administrative rule changes as well as submission of a state plan amendment processes to CMS for approval.





Q&A







Thank You

Contact Medicaid at DSS.Medicaid@state.sd.us

