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South Dakota Medicaid

Critical Access Hospital Reimbursement Methodology Update

June 16, 2025

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.

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Agenda

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

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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

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Recap of Current Payment Methodologies

Current Inpatient Payment Methodologies

Hospital Type	Current Reimbursement Methodology	Payment Components
Some In State Medicare Critical Access Hospitals	MS-DRG	• CMS Version 42 • State-Specific DRG Weights • Hospital Specific Target Amounts • Hospital Specific Capital Amounts • Outliers based on billed charges
Some In State Medicare Critical Access Hospitals	Percent of Charges	95% of billed charges
Out of State Critical Access Hospitals	Percent of Charges	44.15% of billed charges

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Current Outpatient Payment Methodologies

Hospital Type	Current Reimbursement Methodology	Payment Components
In-state Medicare Critical Access Hospital	Percent of Charges	90% or Hospital Specific Percent of Billed Charges
Out of State Critical Access Hospitals	Percent of Charges	38.2% of Billed Charges (Some NE Hospitals Receive Manual Pricing)

Cost Coverage

- Current Medicaid in-state CAH reimbursement methodologies are resulting in a wide range of cost coverage outcome ranging from approximately 60% cost coverage to approximately 200% cost coverage.

- In the aggregate, in-state CAH cost coverage is currently 96%.

- Under the new methodology aggregate in-state CAH cost coverage will increase to 100%.

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Recommended Payment Methodology Changes

Updated Inpatient Payment Methodologies

Hospital Type	Current Reimbursement Methodology	New Reimbursement Methodology
In State Critical Access Hospitals	MS-DRG or 95% UCC	% UCC with Cost Settlement
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 • Cost Settled at 100%
Charges	Usual and Customary Charges

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Recommended Inpatient Payment Methodology Changes
Out of State CAH - APR-DRG

Reimbursement Component	Updated Reimbursement Methodology
Grouper Version	APR-DRG Version 42
DRG Weights	Solventum (formerly 3M) National DRG Weights • Hospital Specific Relative Value (HSRV) Weights
Base Rate	Statewide Base Rate $11,292* (final values TBD based on final modeling)
Base Rate Add-Ons	Peer Group Add On's (Added to the statewide base rate) • $16,675* (TBD based on final modeling. Modeled to 100% aggregate cost coverage,)
Outlier Methodology	Cost Based • Fixed Loss Threshold $65,000 (final values TBD based on final modeling) • Marginal Cost Percentage 50% (final values TBD based on final modeling) • Hospital Specific Cost to Charge Ratios • Targeting 5-6% of inpatient expenditures through outlier payments

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Updated Outpatient Payment Methodologies

Hospital Type	Current Reimbursement Methodology	New Reimbursement Methodology
In-state Critical Access Hospitals	Percent of Charge • Labs – Fee for Service • Some Surgeries – Fee for Service	% UCC with Cost Settlement
Out-of-State Hospitals	Percent of Charge • Labs – Fee for Service • Some Surgeries – Fee for Service	APC with Enhanced Base Rate

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

Reimbursement Component	Updated Reimbursement Methodology
Rate	Hospital Specific Percent of Charge Rate • Cost Settled at 100%
Charges	Usual and Customary Charges

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Recommended Outpatient Payment Methodology Changes
Out of State CAH - APC

Reimbursement Component	Updated Reimbursement Methodology
Conversion Factors	Enhanced conversion factor for out-of-state CAHs $253.59* (Final values TBD based on final modeling. Modeled to 100% aggregate cost coverage.)
APC Weights	CMS National APC Relative Weights
Fee Schedule	South Dakota Medicaid Fee Schedule used to price lines without APC assignments

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Swing Bed Services

Swing bed services are outside of the scope of this review as they are not part of the Department of Social Services budget.

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Cost Settlement Process

Cost Settlement Process Overview

- 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

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Cost Settlement Process Overview

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

Cost Settlement Process Overview

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

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Cost Settlement Process Overview

Amended Cost Reports and Audits

- Amended cost reports may be submitted to correct material errors, but only within the given criteria:
  - Final settlement *has not been* 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.

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Next Steps

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1. Additional Details on the Cost Report Submission Requirements and Settlement Templates.
2. Release of trainings for the hospitals on the cost report submission process & requirements.

Estimated Settlement Process Dates

January 1, 2026 – June 30, 2026	– First SFY Period under Settlement
November/December 2026	– PRA Team begins settlement calculations for SFY2026
January 2027 – July 2027	– Providers Notified of SFY2026 Settlement Amounts

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Q&A

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Thank You

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