



# Medicaid PPS Hospital Reimbursement

April 2, 2025



# Hospital Reimbursement Methodology Status Update

- Implementation July 1, 2026.
  - State plan amendment will be released for public comment in April.
  - Administrative rules will be released for public comment in May.
  - System configuration on track for completion

# Overview of In-State PPS Hospital Changes

- **APR-DRG**

- Inpatient hospitals are transitioning from MS-DRG to APR-DRG.
  - Both NICUs and psychiatric hospitals are included in this methodology.
- Statewide APR-DRG base rate of \$11,118.13.

- **Rehab Hospitals/Units**

- Continue to be reimbursed per diem.
- Statewide per diem rate of \$1,399.77.

- **Long Term Acute Care Hospitals**

- Continue to be reimbursed per diem.
  - Statewide per diem rate of \$1,956.01.

- **APC**

- Outpatient hospital services will continue to be paid using APC.
- Statewide APC base rate of \$91.42.

- **Dialysis**

- Transitions to a composite rate.
- Statewide composite rate of \$497.25.

# Reimbursement Level Overview

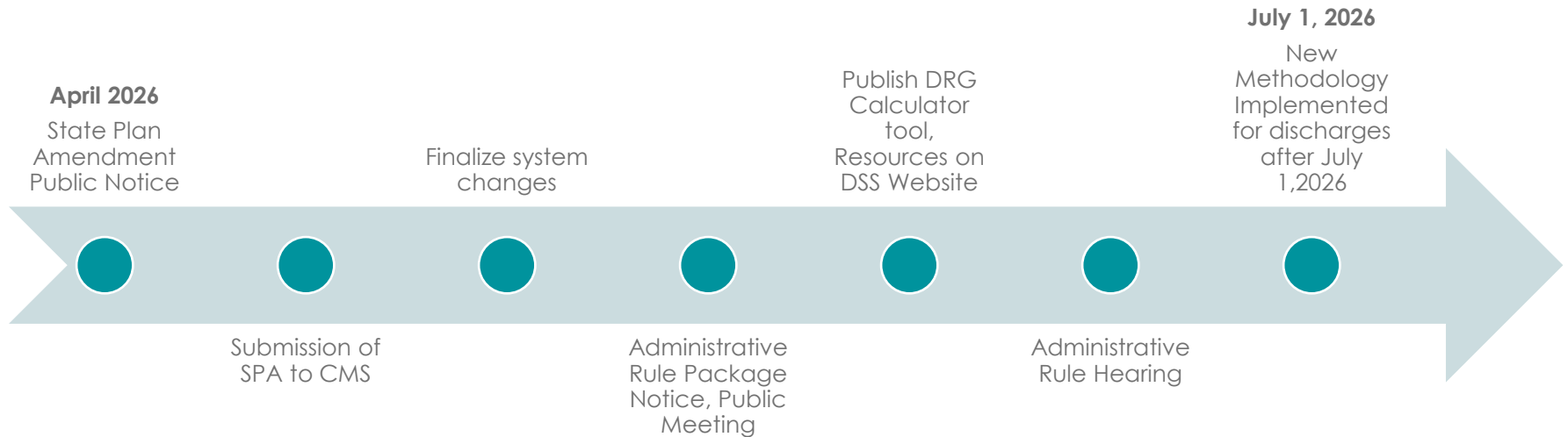
The table below provides the Medicaid reimbursement cost coverage levels for hospitals (not including in-state CAHs). Modeling used 2022-2024 claims data and 2024 cost reports.

Unit of Analysis	Current Methodology 2022-2024 Claims	New Methodology 2022 – 2024 Claim Repriced	New Methodology 2024 Claims Only Repriced
<b>Overall Cost Coverage</b>	81.6%	81.6%	84.9%
Instate	75.5%	81.5%	83.5%
<b>Inpatient Overall</b>	74.8%	75.2%	79.3%
Instate	64.8%	73.5%	75.6%
<b>Outpatient Overall</b>	98.8%	97.6%	98.0%
Instate	99.4%	99.3%	100.1%

# Positive Outcomes

- Increased Reimbursement
  - In-state PPS providers will generally see higher reimbursement.
    - Aggregate in-state PPS reimbursement is estimated to increase by approximately **\$15 million** annually.
- Equitable reimbursement
  - Current base rates had not been comprehensively reviewed and updated in 10 plus years and reimbursed some providers at higher amounts than others.
  - New APC and APR-DRG methodologies include uniform in-state base rates, which provides the same reimbursement for the same service.
- More reasonable per claim reimbursement
  - Current, MS-DRGs weights and cost outlier are non-standard. A significant percent of overall Medicaid DRG reimbursement was tied to cost outliers.
  - Due to transition to APR-DRG, national weight set, more standard cost outlier, and investment in base rates.

# Looking Forward



Anticipate Public Notice for SPA early April. The public comment period will run 30 days.

- Once posted, full text available at:  
<http://dss.sd.gov/medicaid/medicaidstateplan.aspx>.
- Comments may be emailed to [MedicaidSPA@state.sd.us](mailto:MedicaidSPA@state.sd.us)

# Resources

- The following materials will be released in June:
  - Updated hospital fee schedules
  - Updated hospital provider manuals
  - Informational bulletin/frequently asked questions
  - APR-DRG calculator
- In addition, we anticipate Solventum will offering an APR-DRG training in May/June.



# Rural Health Transformation Update

Medicaid Quality and Access Provider Grants

# Rural Strong RFP - Medicaid Provider Quality and Access Grants

- Request for Proposals/Applications to be released
- Proposals Due May 22
- “Invitation Only” on SD BOA’s website = Open for your response
- Funding decisions in June

# Rural Strong RFP - Medicaid Provider Quality and Access Grants

- **Operational Efficiency:** Supporting sustainability through streamlined operations
- **Strategic Partnerships:** Expanding specialized care access through collaboration
- **Healthcare Access Preservation:** Ensuring essential services remain available locally
- **Community Health Impact:** Improving population health to reduce crisis-driven care

Questions?



# Thank You

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