South Dakota Medicaid Report
SFY24

South Dakota Department of Social Services (DSS)

Medicaid Overview Report:
Providing Cost-Effective Health Care to South Dakota's Medicaid Recipients

November 2024

South Dakota Department of Social Services

South Dakota's Medicaid program plays a vital role in the health care of many individuals. The program is much more than a vehicle for financing acute care in hospitals or care provided by physicians, dentists, optometrists and other medical providers.

- First and foremost, Medicaid or CHIP (Children's Health Insurance Program) covers South Dakota's children – 58% of those covered by Medicaid or CHIP are children. In fact, around 40% of South Dakota's children will rely on Medicaid or CHIP during the first year of life.

- Around 54% of our parents and grandparents in nursing homes are dependent upon Medicaid to pay for their care. Over 20% need Medicaid in order to live in an assisted living facility. and many of our parents and grandparents rely on Medicaid to pay for much needed services so they can remain living in their own homes and communities in their later years of life.

- Over 4,000 South Dakota citizens with developmental disabilities are living in our communities through the support of Community Support Providers, relying on Medicaid to pay for their services.

- Over 11,000 South Dakotans with mental health and/or substance abuse challenges receive services in their community through community mental health centers or substance abuse treatment providers paid for by Medicaid.

- Children who have been abused and neglected are provided the services they need through Medicaid payments to providers, including psychiatric residential treatment programs.

- Medicare premiums are paid for low-income South Dakota seniors through the Medicaid program.

- Citizens with developmental disabilities served at the Developmental Center at Redfield are covered by Medicaid.

- Pregnant women who have low-incomes receive pregnancy-related services paid for by the Medicaid program to help ensure healthier birth outcomes.

These South Dakotans are our children, parents, grandparents, neighbors and friends.

South Dakota will continue its efforts to respond to the health care needs of its citizens in a cost-effective manner, provide access and quality of care, and seek to improve health outcomes through innovative initiatives.

Table of Contents

Introduction

This report provides a summary of the Medicaid Program in South Dakota. It is designed to provide a high-level overview of the program, provide basic information on program operations, and highlight key program initiatives.

The report is broken into three sections.

Section 1 provides basic information on the Medicaid Program, including data and information on eligibility, coverage, and program expenditures.

Section 2 provides data relating to the operation and maintenance of program operations, including claims processing, utilization review activities, and the other important functions necessary to appropriately administer the program.

Section 3 highlights DSS's efforts to be good stewards of our tax dollars and to protect the Medicaid Program from fraud, abuse and waste.

Section 1: Program Overview

Organization

The Department of Social Services (DSS) is the designated State Medicaid Agency for South Dakota. The Division of Medical Services within the Department administers assistance to those who qualify for Medicaid or the Children's Health Insurance Program (CHIP). Other agencies also administer programs funded by Medicaid in South Dakota including the Departments of Human Services, Corrections, Education, Health, Military and Veterans Affairs.

What is Medicaid?

Medicaid is the nation's publicly financed health and long-term care coverage program for low-income people. Enacted in 1965 under Title XIX of the Social Security Act, Medicaid is an entitlement program. As an entitlement program, all enrolled individuals must receive services. An entitlement program differs from a block grant, which involves a cap in funding and can result in waiting lists. Over time, Congress has gradually expanded Medicaid eligibility criteria to reach more Americans living below or near poverty. Medicaid covers children and adults with low income, including parents and children in both working and nonworking families, individuals with diverse physical and mental conditions and disabilities, and seniors. Medicaid expansion was implemented on July 1st 2023 in accordance with Constitutional Amendment D

Medicaid provides health coverage for millions of low-income children and families who lack access to the private health insurance system that covers most Americans. The program also provides coverage for millions of people with chronic illnesses or disabilities who are excluded from private insurance or for whom such insurance, which is designed for a generally healthy population, is inadequate or cost prohibitive.

What is CHIP? The South Dakota Children's Health Insurance Program, more commonly referred to as CHIP, provides quality health care (including regular check-ups, Well-Child Care exams, dental and vision care) for children and youth. To be enrolled for CHIP, children must be under the age of 19 and reside in South Dakota. Children who are uninsured may be enrolled for CHIP based on income and eligibility guidelines. Generally speaking, CHIP provides health care for children whose family income is too high to qualify for Medicaid.

What Services are Covered?

States establish and administer their own Medicaid programs and determine the type, amount, duration, and scope of services based on the general federal guidelines. States are required to cover certain "mandatory services," and can choose to provide other "optional services" through the Medicaid program.[1] Mandatory Medicaid services, and optional services covered by South Dakota, are listed below. While federally defined as optional, these services are integral to providing healthcare and include preventive care that helps people avoid more intensive, higher-cost services. All optional services, when medically necessary, are mandatory for children under age 21.

Medicaid Mandatory Services (examples)	*South Dakota Optional Services (examples)*
• Inpatient hospital services • Outpatient hospital services • Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) services • Nursing facility services • Home health services • Physician services • Rural health clinic services • Federally qualified health center services • Laboratory and X-ray services • Nurse Midwife services • Certified Pediatric and Family Nurse Practitioner services • Transportation to medical care • Tobacco cessation counseling for pregnant women • All Medically Necessary care for enrolled under age 21	• Physician assistants • Psychologists and independent mental health practitioners • Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) • Podiatry • Prescription Drugs • Optometry • Chiropractic services • Durable medical equipment • Dental services • Physical, occupational, speech therapy, audiology • Prosthetic devices and eyeglasses • Hospice care, nursing services • Personal care services and home health aides • Preventive and Rehabilitative Services • Health Homes

What is Medically Necessary?

All benefits must be "medically necessary" in order to be covered by the program. To be "medically necessary" in South Dakota, the covered service must meet the following conditions:

- It is consistent with the recipient's symptoms, diagnosis, condition, or injury;
- It is recognized as the prevailing standard and is consistent with generally accepted professional medical standards of the provider's peer group;
- It is provided in response to a life-threatening condition; to treat pain, injury, illness, or infection; to treat a condition that could result in physical or mental disability; or to achieve a level of physical or mental function consistent with prevailing community standards for diagnosis or condition;
- It is not furnished primarily for the convenience of the recipient or the provider; and
- There is no other equally effective course of treatment available or suitable for the recipient requesting the service which is more conservative or substantially less costly.

[1] *Medicaid Benefits*, http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Benefits/Medicaid-Benefits.html.

What is EPSDT? EPSDT stands for Early and Periodic Screening, Diagnosis & Treatment. Federal Law requires the State to provide screening, diagnosis and all "medically necessary" treatment services, including mental health services, to all Medicaid recipients under 21.

Seniors & Medicare and Medicaid Enrollees

In South Dakota, Medicaid provides health coverage to more than 7,000 low-income seniors, nearly all of whom are also enrolled in Medicare. Medicaid also provides coverage to around 20,000 people with disabilities, of whom about half are enrolled in Medicare. On average each month, around 12,000 people are "dually enrolled" and enrolled in both Medicaid and Medicare, which is about 9% of all Medicaid enrollees in South Dakota. For these "dual enrolled" individuals, Medicaid assists with Medicare premiums and cost-sharing obligations and covers key services, such as long-term care, that Medicare limits or excludes. Medicaid is South Dakota's largest source of coverage for long-term care, covering 55% of all nursing home residents.

Who is Covered?

Medicaid is one of the largest healthcare insurers in South Dakota with 140,074 individuals participating in the program during State Fiscal Year 2024. The average monthly enrollment in State Fiscal Year 2024 was 127,664 (includes Medicaid Expansion).

South Dakota's Medicaid Program covers primarily children of low-income families and plays a very important role in the health care of this age cohort. More than 58% of individuals covered by Medicaid or CHIP are children, almost 40% of the children born in South Dakota will be on Medicaid or CHIP during the first year of their life.

The Affordable Care Act included changes to standardize eligibility determination nationally. January 1, 2014, all states, including South Dakota, began using gross vs net income as the basis for determining Medicaid eligibility. These changes also impacted the Federal Poverty Levels used to determine eligibility. The Affordable Care Act has also included changes to the way people can apply for Medicaid and find other insurance if not enrolled for Medicaid. Applicants must be able to apply directly to the State Medicaid agency or to the Federally Facilitated Marketplace or a State established exchange. South Dakota is using the Federally Facilitated Marketplace. The ACA also requires that states, as a condition of Medicaid funding, maintain Medicaid income eligibility standards as of March 2010 to calculate eligibility.

In order to receive federal funding, states must cover certain "mandatory" groups. The mandatory groups are pregnant women with income below 138 percent of the Federal Poverty Level (FPL), children under age 6 with family income below 182 percent of the FPL; children age 6 to 18 below 116 percent of the FPL; parents below cash-assistance eligibility levels; and elderly and persons with disabilities who receive Supplemental Security Income (SSI). We also cover parents with incomes between 39-138% FPL and adults with incomes up to 138%. South Dakota Eligibility Categories, and their relationship to the FPL, are outlined in Table 1.

Table 1. Sample of 2024 Federal Poverty Level Guidelines

Family Size	Annual Income			
	100% FPL	138% FPL	182% FPL	209% FPL
1	15,060	20,783	27,409	31,475
2	20,440	28,207	37,201	42,720
3	25,820	35,632	46,992	53,964
4	31,200	43,056	56,784	65,208

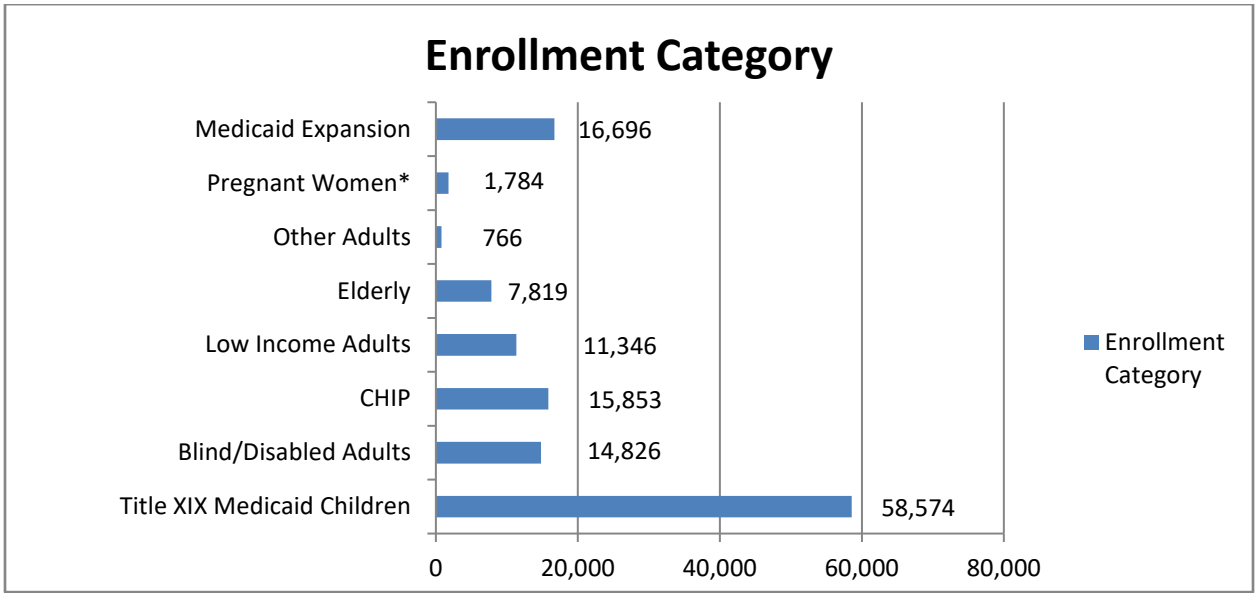
Table 2. South Dakota Enrollment by Percent of Federal Poverty Level

Enrollment Group	% FPL
Pregnant Women	138%*
Children Under Age 6	182%*
Children Age 6 – 19	116%*
Parent/Caregiver/Relatives of Low-Income Children	39%
Aged, Blind and Disabled (Single)	75%
Aged, Blind and Disabled (Couple)	83%
CHIP (Children's Health Insurance Program)	209%*

*These figures include the 5% mandatory disregard for MAGI groups

For the Medicaid Program as a whole, two-thirds of enrollees are children and one-third of enrollees are adults. The latter category is comprised of pregnant women (full coverage and pregnancy-related services only), individuals who are elderly or disabled, parents in very low income families (e.g., a family of three has an annual income of $10,104 which is 39% of the federal poverty level), and adults between the ages of 19 and 64 with income at or below 138% FPL who are not eligible for or enrolled in Medicaid. The number of individuals participating in the program, by eligibility category, is outlined in Graph 1.

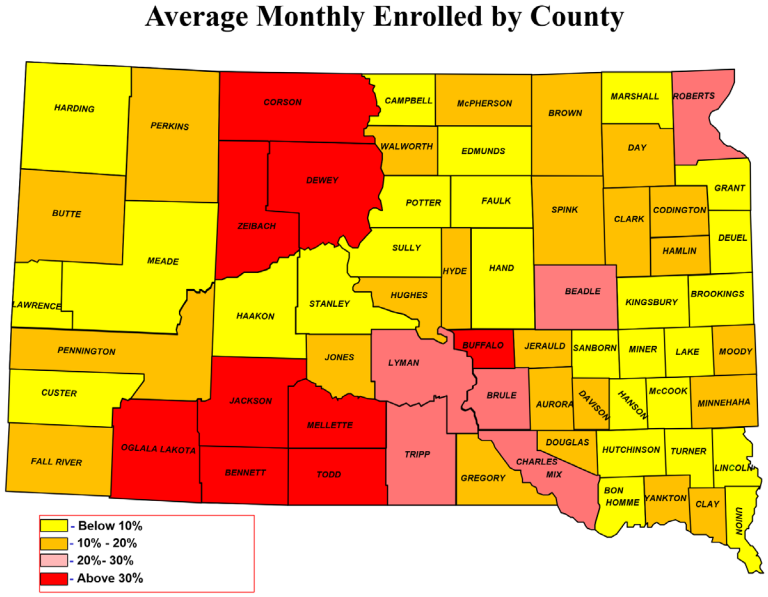
Graph 1. Average Monthly Medicaid Participation by Enrolled Category, SFY 2024



*Pregnancy Related Services Only, Medicaid Expansion included in SFY24.

Medicaid enrollment varies considerably by county. For the entire state of South Dakota, 14% of the population was enrolled for Medicaid in SFY 2024 (see Map 1 – refer to Appendix A for complete details).

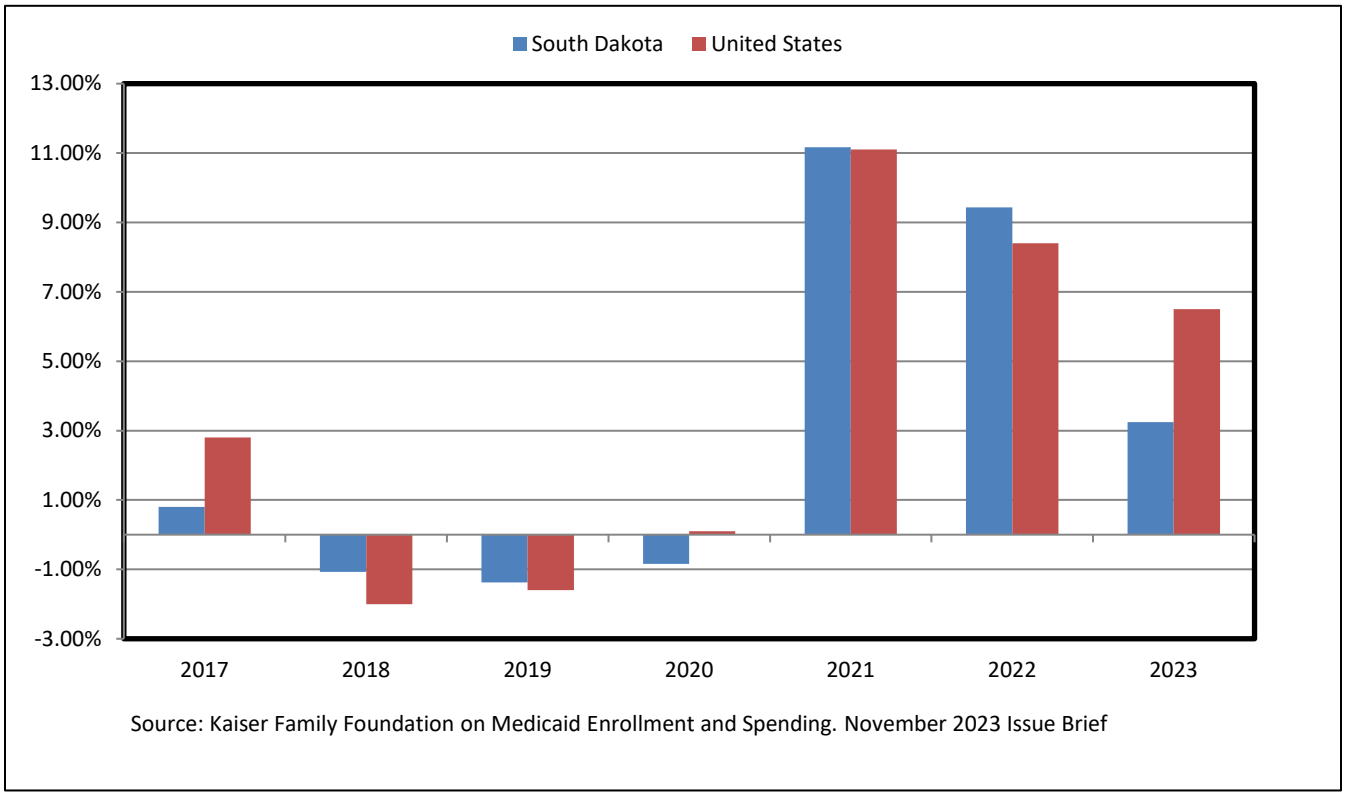
Map 1. Percent of County Population Enrolled in Medical Services 2024



**Average monthly Enrolled – DSS
**County Population FY 2023 Estimates - Census Bureau
**Includes Medicaid Expansion

Enrollment in the South Dakota's Medicaid program has also generally experienced less annual growth than the United States as a whole (see Graph 2).

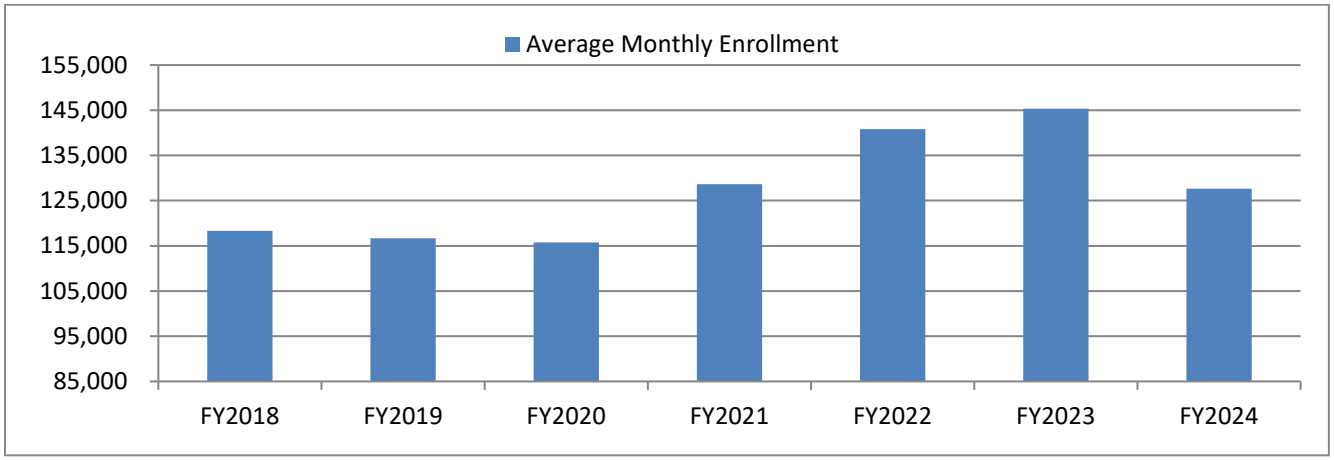
Graph 2. Annual Change in Avg. Monthly Medicaid Enrollment in 50 States and DC, 2016-2023



Source: Kaiser Family Foundation on Medicaid Enrollment and Spending. November 2023 Issue Brief

Medicaid is naturally counter cyclical, when the economy weakens, revenues decline, and the number of Medicaid enrollment increases. National experts indicate that every 1% increase in unemployment results in an increase of 1 million Medicaid and CHIP Enrollment nationwide.

Graph 3. South Dakota Medicaid Average Monthly Enrollment, SFY 2018–2024

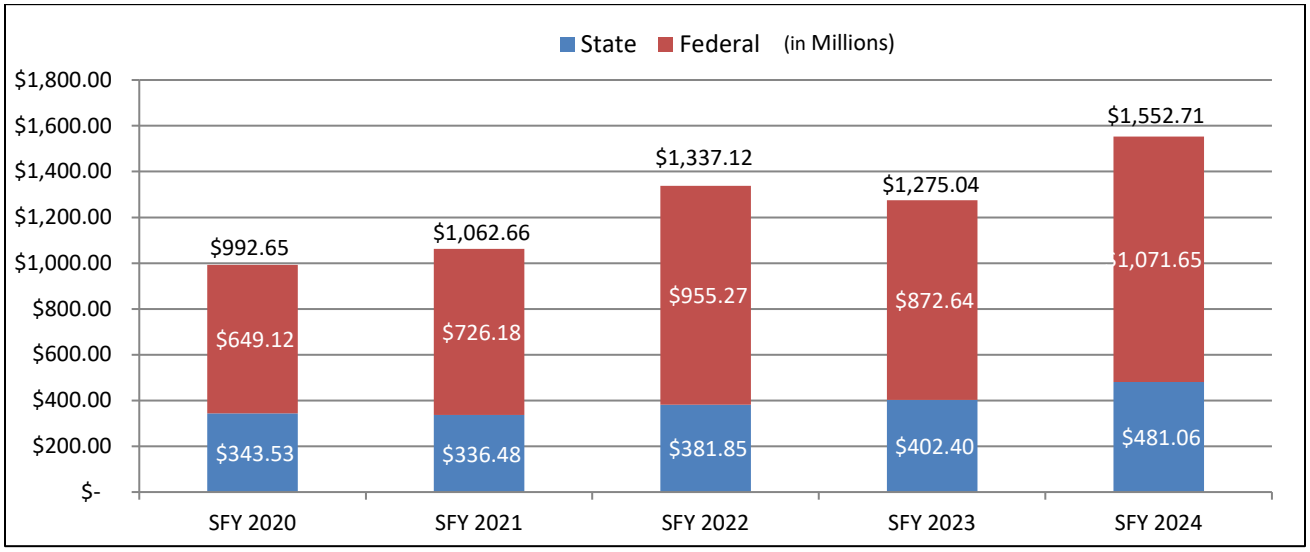


Public Health Emergency (PHE) related maintenance of effort (MOE) requirements started Jan. 2020 under the Families First Coronavirus Response Act (FFCRA) and PHE ended May 2023. Medicaid Expansion included in SFY24.

How Much Does the Program Cost?

In SFY 2024, South Dakota's Medicaid expenditures were $1.55 billion. (See Graph 3-A).

Graph 3-A. South Dakota Medicaid Expenditures, SFY 2020-2024



*SFY24 Includes Medicaid Expansion

The providers with the largest percentage of total Medicaid expenditures in South Dakota were hospitals, nursing homes/assisted living providers and Department of Human Services/Developmental Disability community support providers. A list of providers and their respective expenses include the following:

Table 3-B. Majority of Expenses by Provider Type, SFY 2024

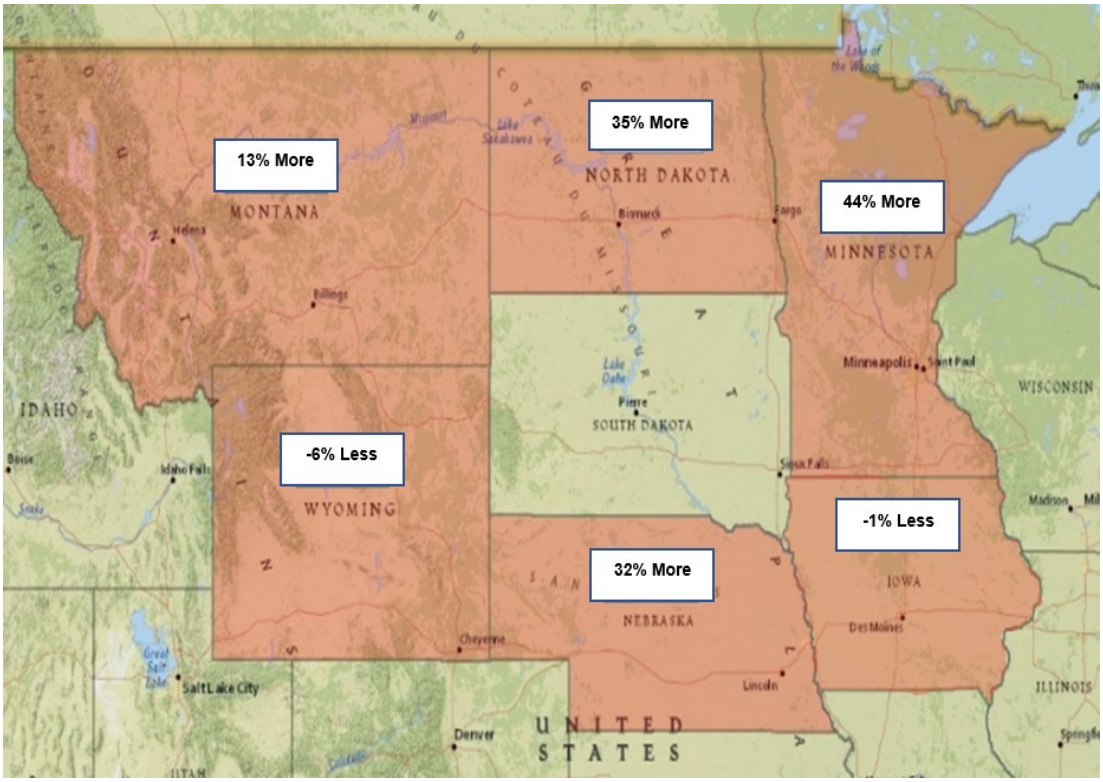
Provider	SFY 2024 Expense (Millions)	% of Total
Hospitals	$336.94	23.7%
Nursing Homes/Assisted Living Providers/Hospice	$248.15	17.5%
DHS Community Support Providers (DD, ADLS Waivers, & Community ICF)	$232.70	16.4%
Physicians, Independent Practitioners and Clinics	$156.86	11.1%
Indian Health Services	$140.12	9.9%
Pharmacies	$80.76	5.7%
South Dakota Developmental Center and Human Services Center	$34.38	2.4%
Substance Use Disorder and Mental Health Community Support Providers	$30.21	2.1%
Psychiatric Residential Youth Care Providers	$44.54	3.1%
Dentists	$35.32	2.5%
Durable Medical Equipment Providers	$16.37	1.2%
In-Home Service Providers for the Elderly and Skilled Home Health	$47.43	3.3%
Emergency Transportation	$16.27	1.1%
Total for Majority of Expenses	**$1,420.05**	

*Includes Medicaid Expansion

Although children make up the majority of Medicaid enrollees, most Medicaid spending is attributable to the elderly and people with disabilities. In South Dakota, similar to the rest of the United States, the elderly and disabled represent 23% of the Medicaid population but account for roughly 64% of Medicaid spending. In addition, analysis of South Dakota Medicaid inpatient hospital statistics revealed that almost 5% of South Dakota Medicaid inpatient hospital recipients are responsible for 82% of inpatient hospital payments. This is consistent with findings that nationwide, the top 5 percent of the population accounted for nearly 50 percent of health care expenditures.[2]

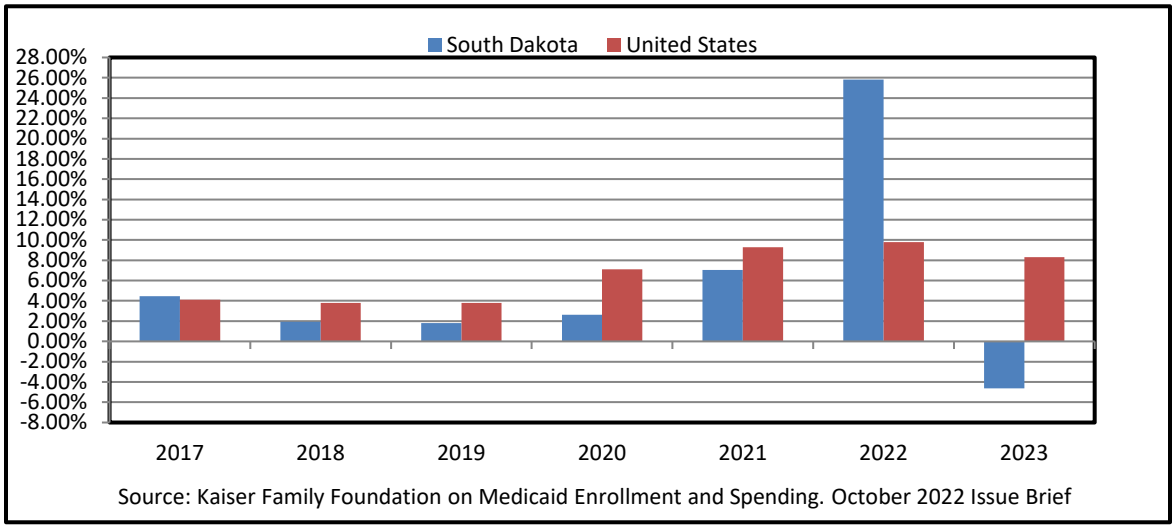
The state spends less for each Medicaid enrollee (per capita) than most surrounding states. This may be due to factors such as differences in reimbursement, populations covered, and other factors. Wyoming pays 6% less per Medicaid enrollee; Nebraska pays 32% more; Montana pays 13% more; North Dakota pays 35% more; Iowa pays 1% less; and Minnesota pays 44% more.[3] The % compared to other states is just the health care costs which does not include other agencies DHS, DOC, etc.

Map 2. South Dakota's Variance in Medicaid Per Capita Spending per Enrollee, 2021



[2] Emily M Mitchell, PhD Statistical Brief #556: Concentration of Health Expenditures in the U.S. Civilian Noninstitutionalized Population, 2021 (March 2024)
https://meps.ahrq.gov/data_files/publications/st556/stat556.pdf
[3] Medicaid.gov, https://www.medicaid.gov/state-overviews/scorecard

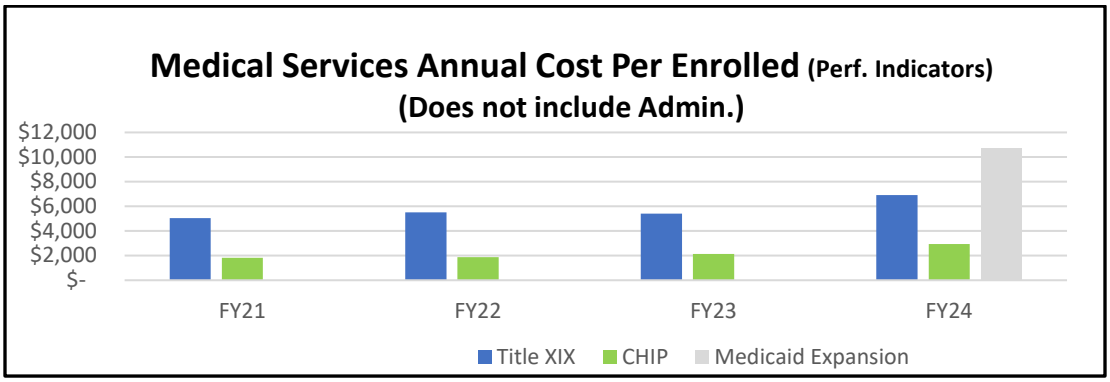
Graph 4. Annual % Change in Total Medicaid Spending in 50 States and DC, 2017-2023



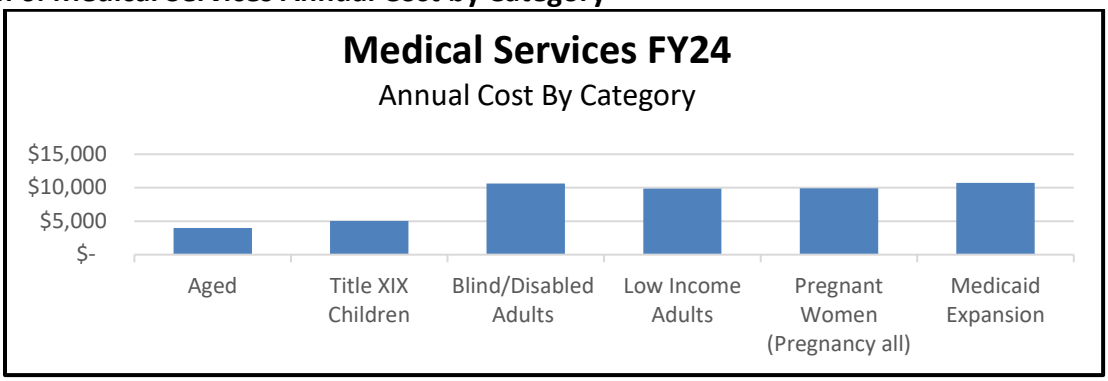
Source: Kaiser Family Foundation on Medicaid Enrollment and Spending. October 2022 Issue Brief

SFY2020 - SFY2022 were impacted by the Public Health Emergency (PHE). PHE related maintenance of effort (MOE) requirements started Jan. 2020 under the Families First Coronavirus Response Act (FFCRA) and PHE ended May 2023.

Graph 5. Medical Services Annual Cost Per Enrolled, FY2020-FY2024



Graph 6. Medical Services Annual Cost by Category



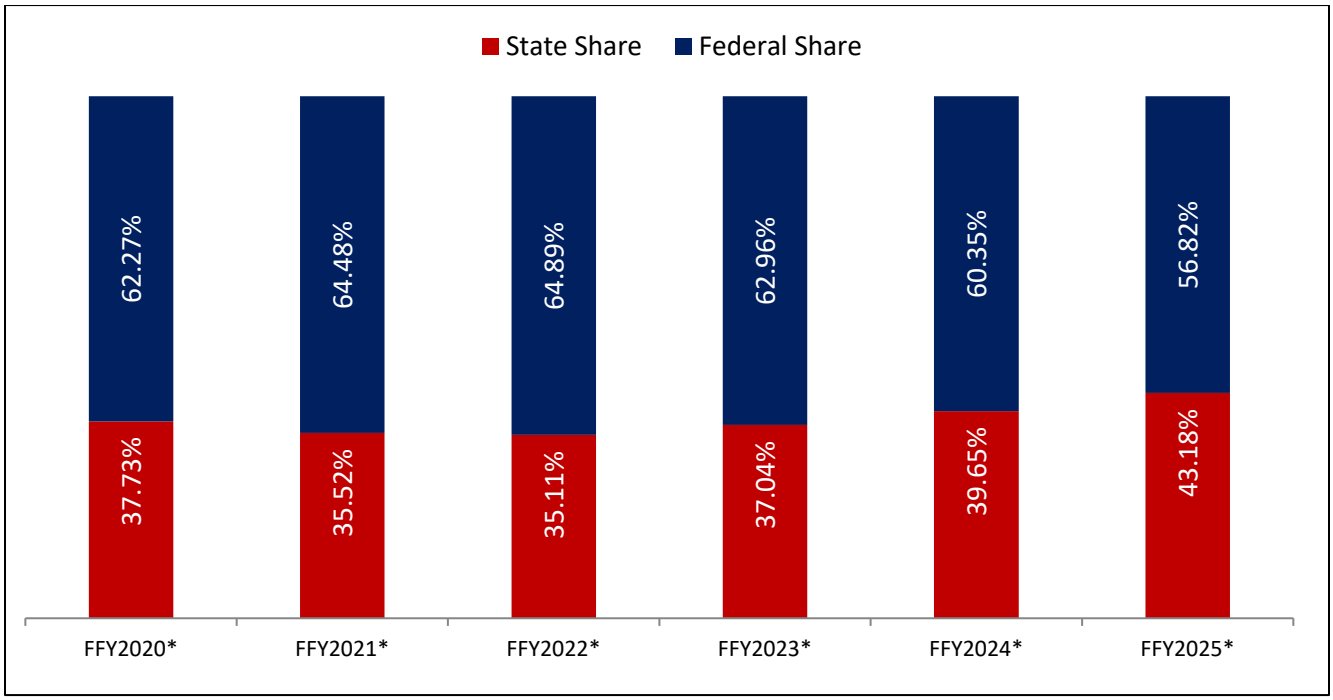
What is the Role of Federal Funding in South Dakota's Medicaid Program?

The federal government's share of a state's expenditures for most Medicaid services is called the federal medical assistance percentage (FMAP). The remainder is referred to as the nonfederal share, or state share. Determined annually using the previous three years personal income data for each state, the FMAP is designed so that the federal government pays a larger portion of Medicaid costs in states with lower per capita incomes relative to the national average (and vice versa for states with higher per capita incomes). FMAP rates differ by state and range from the minimum 50% federal share in states with higher per capita income like Massachusetts and up to 76.90% in states with lower per capita income like Mississippi. (FFIS Issue Brief 23-12)

In FFY 2024, the FMAP for South Dakota was 54.98% (without the 5.0% adjustment). For FFY 2025 the FMAP will decrease by 1.91% to 53.07%. It is estimated that a one percentage point change can reduce or increase South Dakota's funding responsibility by about $13 million.

Services funded through the Children's Health Insurance Program (CHIP) receive an enhanced FMAP rate subject to the availability of funds from a state's federal CHIP allotment. The enhanced FMAP is the increased federal share that results from reducing each state's Medicaid share of 30%. In FFY16-FFY19 the ACA further increased states' FMAP by 23 percentage points. In FFY20, there was a phase down of the 23%. South Dakota's enhanced CHIP match rate for FFY 2025 is 67.15% federal.

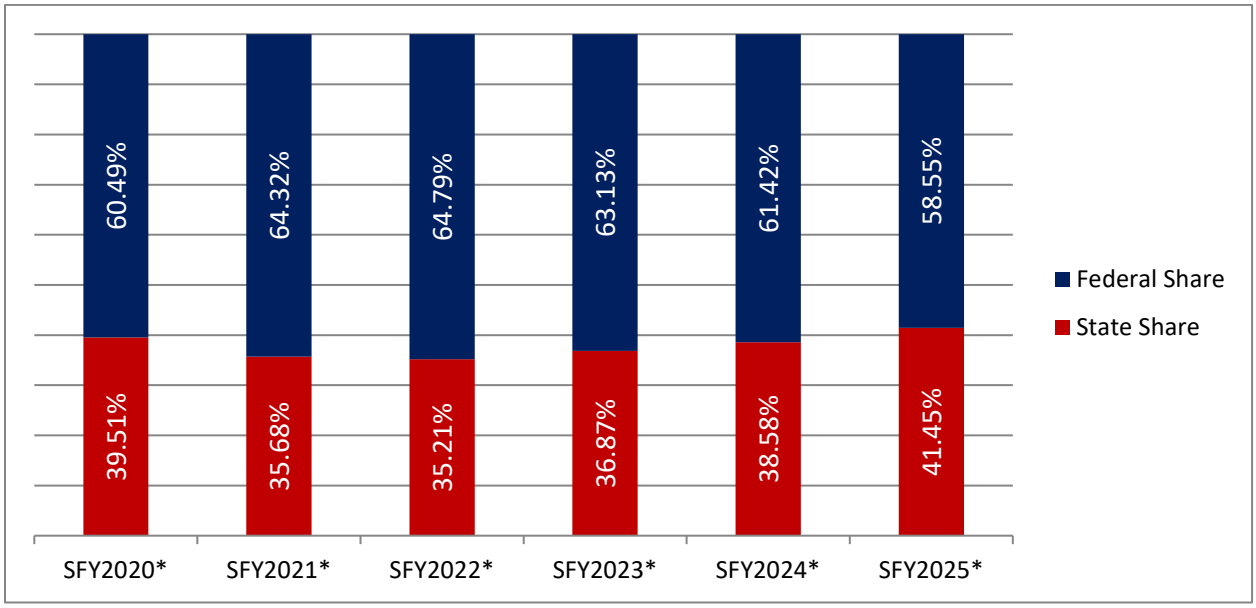
Graph 7. South Dakota Federal Medical Assistance Percentage (FMAP), FFY 2020 to FFY 2025



*Notes: FFY2020, FFY2021, FFY2022, FFY2023, and FFY2024 state general fund matches were impacted by enhanced federal funding through the Families First Coronavirus Response Act. FFY24 includes an adjustment of 1.5% for quarter 1 based on the federal emergency ending April 2023 and the FMAP phaseout. FFY24 also includes an adjustment of 5.0% for the 4 quarters tied to Medicaid Expansion (total of 8 quarters). FFY25 includes an adjustment of 5.0% for 3 quarters to Medicaid Expansion.

For budgeting purposes, a “blended” FMAP rate is calculated using the FMAP rate in effect for each quarter. This includes a blend of 1 quarter from one federal fiscal year and 3 quarters from another federal fiscal year (see Graph 8).

Graph 8. South Dakota Blended Federal Medical Assistance Percentage (FMAP), SFY2020 to SFY2025



*Notes: SFY2020, SFY2021, SFY2022, SFY2023, SFY2024, state general fund matches were impacted by enhanced federal funding through the Families First Coronavirus Response Act. SFY24 includes an adjustment of 1.0% based on the federal emergency ending April 2023 and the FMAP phaseout. SFY24 also includes an adjustment of 5.0% for the 8 quarters tied to Medicaid Expansion. FFY25 includes an adjustment of 5.0% for 3 quarters tied to Medicaid Expansion.

What is the Relationship of Medicaid to the Indian Health Services?

While Indian Health Services (IHS) is responsible for providing health care to American Indians, South Dakota Medicaid serves as the safety net for this population and for enrolled individuals will cover and reimburse services accessed through the IHS system or other providers. This has significant financial implications, as Medicaid (unlike the federal IHS) is jointly funded by the State and federal government. American Indians comprise about 10% of the state's population. During SFY24, an average of 47,794 American Indians were on Medicaid every month, which represents 37.61% of all the individuals enrolled for Medicaid. This percentage has remained fairly consistent over the course of the last 10 years. During SFY24 total expenditures for typical healthcare services provided to American Indians, including services at the Indian Health Services, totaled $402 million (Medical Services). This does not include Medicare Part A, B, and D, some home and community-based services, behavioral health services, and Health Home per member per month. Approximately $138 million of the $402 million was 100% federally funded.

In February of 2016 the federal government changed national Medicaid funding policy to cover more services for people enrolled for care through both IHS and Medicaid with 100% federal funds if care is coordinated and certain other conditions are met. A stakeholder group was formed to leverage this change in policy to maximize federal funding for Medicaid. State funds totaling $10.9 million (all state agencies) were saved in SFY24 due to care coordination activities that qualified for 100% federal funding under the new federal policy. These savings were used to strengthen Medicaid for people who are already enrollment, to support increased provider reimbursement rates, and to share savings back with the providers that helped to generate the savings.

Section 2: Medicaid Programs and Operations

This section of the report will provide general information relating to South Dakota's care management programs, the Primary Care Provider program, the Health Home program, the BabyReady program as well as information about South Dakota's management of the Pharmacy program and other key operational activities.

Care Management Program Referrals	
Referral/Authorization is Required: Physician/Clinic Acute Care/Urgent Care (First 4 visits per plan year are exempt) Psychiatry/Psychology NPs, PAs, and Nurse Midwives Residential Treatment Durable Medical Equipment Ophthalmology (not refractive) Therapy (Physical/Speech, Occupation, audiology) Community Mental Health Center Inpatient/Outpatient Hospital Services Pregnancy Related Services Ambulatory Surgical Center Lab/X-Ray Services (at another facility) Community Health Worker Diabetes Self-Management Dietician/Nutritionist School District Services	**Referral/Authorization is NOT Required:** Pharmacy True Emergency Services Family Planning Dental Services Optometric (Routine eye care) Podiatry Ambulance/Transportation Anesthesiology Chiropractic Independent Radiology/Pathology Immunizations Chemical Dependency Treatment *Independent Lab/X-Rays (when sending samples or specimens to any outside facility for analysis only) First 4 Acute/Urgent Care Visits per plan year
Medicaid will only pay for medically necessary covered services authorized by the primary care provider. Managed care and Health Home services provided which are not authorized are the recipient's responsibility to pay.	

Primary Care Provider Program

The Primary Care Provider program is South Dakota's primary care case management program, which consists of Primary Care Providers who render primary care and are responsible for managing the enrollees' health care in preauthorizing, locating, coordinating, and referring visits to other Medicaid providers. Approximately 80% of South Dakota Medicaid consumers, including children, low-income families, pregnant women, and disabled recipients are required to enroll in the program and choose one primary care provider (PCP) to be their health care case manager.

Pursuant to this program, participating primary care physicians (PCPs) are responsible for directing all Managed Care designated services, providing referrals for specified non-emergent specialty and hospital services, and for guaranteeing 24 hours a day, 7 days a week access to medical care. The PCPs are reimbursed under the usual fee-for-service system. In addition, PCPs receive a per member per month case management fee. This program is designed to improve access, availability, and continuation of care while reducing inappropriate utilization, over-utilization, and duplication of Medical Assistance Program covered services while operating a cost-effective program.

Health Home Program

To improve patient outcomes and experiences, the Department implemented the Health Home program in July 2013. It delivers customized and enhanced health care services to meet the specific needs of Medicaid recipients with chronic medical or behavioral health conditions.

The program helps participants achieve better health outcomes through the delivery of six core services:

- Comprehensive Care Management
- Care Coordination
- Health Promotion
- Comprehensive Transitional Care
- Patient and Family Support
- Referral to Community and Support Services

By utilizing these core services, the Health Home program aims to reduce inpatient hospitalization and emergency room visits, increase the integration between physical and behavioral health services, and enhance transitional care between institutions and the community.

In SFY24 an average of almost 7,000 recipients received Health Home services per month. Recipients are placed in one of four tiers based on the severity of illness and risk of future costs.

Health Home services are available through 143 primary care clinics including 10 Indian Health Service facilities, 1 Tribal Health Clinic, and 30 Federally Qualified Health Care Centers. There are also 9 Community Mental Health Centers that are also participating. In total, there are 765 Health Home providers serving 145 locations.

Caring for People in the Most Cost-Effective Manner

Almost 7,000 Medicaid recipients with high-cost chronic conditions and risk factors participate in the Health Home program on average per month. The goal of the program is to improve health outcomes and avoid high-cost care and includes incentive-based payments to high performing providers. Most recent results show the program is approaching the target for participants with a person-centered care plan.

The program led to estimates of $8.5 million in cost avoidance in CY 2023 after payment of the PMPM ($3.96 million) and Quality Incentive Payments ($0.56 million). Without Health Homes, DSS would have expended approximately $8.5 million more. Saving in CY2023 were generated in the areas of emergency department, physician, pharmacy and other services.

To learn more about the health home program, you can go to our website at:
http://dss.sd.gov/healthhome/dashboard.aspx.

BabyReady Program

South Dakota Medicaid implemented a new care management program for pregnant women on April 1, 2024. Medicaid recipients who are 20 weeks or less gestation and reside in an area with a Pregnancy Program provider are eligible to participate in the program.

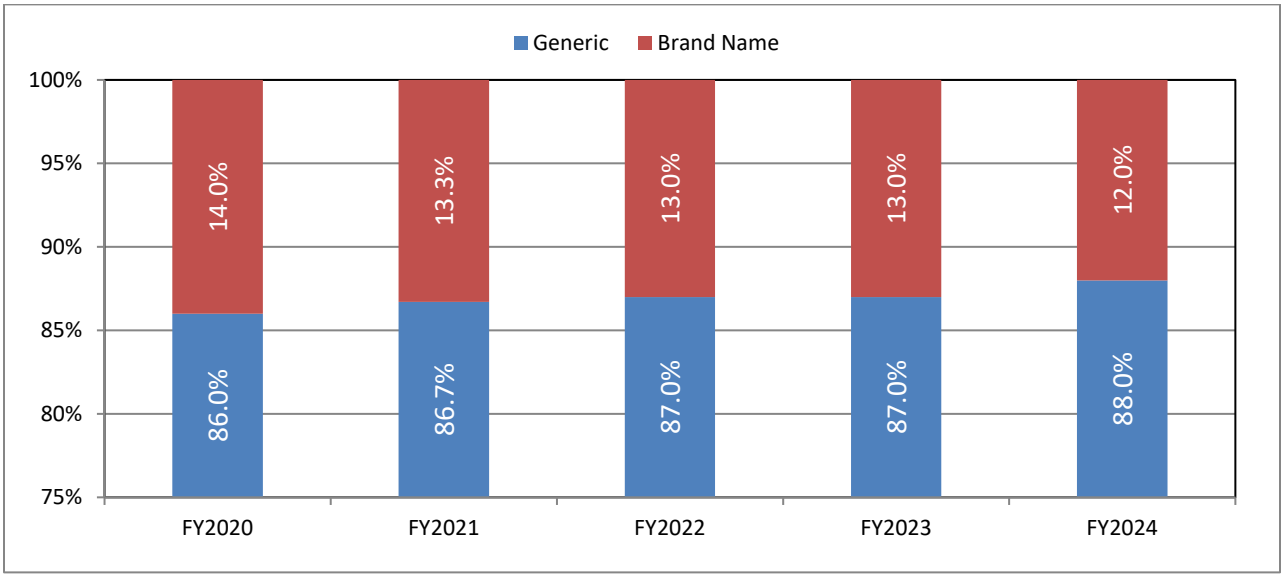
The goal of the BabyReady program is to improve health outcomes for pregnant woman and the unborn child. The program will attempt to achieve this objective through the following:

- Requiring participating providers meet certain standards of care.
- Requiring enhanced care coordination activities.
- Incentivizing and rewarding providers for meeting prenatal and postpartum objectives.
- Enhancing provider collaboration with Department of Health pregnancy programs.
- Requiring participating providers to implement a barrier to care initiative to reduce barriers to care.

Pharmacy Management Program

South Dakota also aggressively manages the pharmacy benefit. This management approach includes a strong clinical prior authorization process, as well as the utilization of a Pharmacy and Therapeutics (P&T) Committee and Drug Utilization and Review (DUR) Committee comprised of pharmacists and physicians. Members of both the P&T and DUR Committees have served for many years and have significant knowledge of the South Dakota marketplace. As a result of these activities, South Dakota's generic utilization is approximately 88% compared to the national average of nearly 90%. High utilization of generic drugs, which are typically much less expensive than brand drugs, is generally considered evidence of successful pharmacy management programs. South Dakota continues to aggressively pursue generic drug utilization and continues to see a steady increase in generic drug use.

Graph 9: Generic vs. Brand Name Drug Utilization, FY2020 - FY2024



Utilization Review Program

Medicaid services are subject to utilization review by clinical professionals within South Dakota's Medicaid Program. The purpose of the utilization review program is to safeguard against unnecessary and inappropriate medical care rendered to Medicaid recipients. Medical services and/or records are reviewed for medical necessity, quality of care, appropriateness of place of service and length of stay (inpatient hospital). In addition, utilization data is used to identify the need for provider educational efforts, policy clarifications, or possible program integrity review efforts.

Program Operations

Provider Enrollment
Providers must meet federal and state requirements to enroll as Medicaid providers and must maintain their information to remain enrolled. South Dakota Medicaid enrolls providers based on National Provider Identifiers (NPIs). At the end of SFY24 there were 18,041 unique NPIs enrolled, with the majority of these NPIs belonging to individual practitioners. Approximately 3,100 unique billing NPIs and 12,000 SNPI were on claims paid during FY24.

Claims Processing
South Dakota operates its own claims processing and management information system for medical claims. The system also processes payments in a timely fashion. On average, claims are processed within three days.

In FY 2024, South Dakota's system:

- Processed more than 7.0 million claims
- Answered more than 50,000 calls from providers

Medicaid On-Line Portal
The Medicaid On-Line Portal allows providers to look up information online 24 hours a day, seven days a week. Providers can use the on-line portal to check whether a patient is enrolled for Medicaid, view the status of a claim, or even submit claims electronically.

In FY 2024, there were:

- Over 1.7 million eligibility inquiries to the portal
- 6,840 active users on the portal

Rate Setting
The Department of Social Services is also responsible for setting payment rates for a large number of Medicaid providers, including hospitals, outpatient facilities, federally qualified health clinics, and behavioral health providers, among many others.

South Dakota has adopted a DRG (Diagnostic Related Group) payment methodology for the majority of inpatient-hospital expenditures. Under the DRG system, hospitals are reimbursed based on the principal diagnosis or condition requiring the hospital admission. The DRG system is designed to classify patients into groups that are clinically coherent with respect to the amount of resources required to treat a patient with a specific diagnosis. Applicable additional payments are added for capital, medical education, and outliers. For outpatient services, larger outpatient hospitals bill Medicaid using the Ambulatory Payment Classification methodology. Smaller Critical Access Hospitals are reimbursed on a percentage of billed charges.

Other provider types are reimbursed using standardized fee schedules (e.g. physicians) or are reimbursed based on cost reports submitted by providers (e.g. nursing facilities).

* Fee Schedules are available online at: https://dss.sd.gov/medicaid/providers/feeschedules/dss/

Section 3: Program Integrity

Third Party Liability

As a condition of receiving Medicaid benefits, recipients agree to allow Medicaid to seek payment from available third-party health care resources on their behalf. All other third-party resources must be used before Medicaid dollars are spent. These resources, such as health and casualty insurance and Medicare, are important means of keeping Medicaid costs as low as possible. During SFY24 Medicaid recovered $21.2 million in third party liability.

South Dakota is one of a handful of states that obtained an exemption from the Medicaid Recovery Audit (RAC) review process due to the low prevalence of provider fraud.

Fraud and Abuse

South Dakota utilizes a number of approaches to maintain program integrity and prevent fraud and abuse that includes both internal and external approaches, as described below.

Internal approaches:

- ***Program Integrity Unit:*** This federally mandated review process conducts post-payment provider reviews.
- ***Quality Improvement Organization:*** This program reviews inpatient hospital claims to ensure quality of services and correct coding.
- ***Office of Recoveries and Fraud Investigations:*** This division conducts investigations of recipient fraud and recovers payments from third party liability sources.
- ***Drug Utilization Review:*** In partnership with South Dakota State University, this program conducts a retrospective review of recipients' drug claims and provides education to physicians.

External approaches:

- ***Medicaid Integrity Contractors:*** This program involves federal contractors conducting independent audits of providers.
- ***Medicaid Fraud Control Unit:*** Located in The South Dakota Attorney General's Office, in SFY 2024 this unit recovered $164,588 in restitution for the Medicaid Program.

Appendix A: Percent of County Population Enrolled in Medical Services 2024

County	Average Monthly Enrollment	Estimated 2023 Census	Percent of Population
Aurora	296	2,782	10.6%
Beadle	4,149	19,591	21.2%
Bennett	1,339	3,305	40.5%
Bon Homme	679	7,065	9.6%
Brookings	2,523	35,980	7.0%
Brown	4,730	37,733	12.5%
Brule	918	5,311	17.3%
Buffalo	1,056	1,884	56.1%
Butte	1,679	10,863	15.5%
Campbell	107	1,340	8.0%
Charles Mix	2,253	9,240	24.4%
Clark	427	3,948	10.8%
Clay	1,676	15,431	10.9%
Codington	3,319	28,971	11.5%
Corson	1,795	3,782	47.5%
Custer	686	9,117	7.5%
Davison	2,944	19,922	14.8%
Day	707	5,451	13.0%
Deuel	359	4,354	8.2%
Dewey	2,664	5,208	51.2%
Douglas	295	2,838	10.4%
Edmunds	284	4,057	7.0%
Fall River	1,025	7,393	13.9%
Faulk	214	2,151	9.9%
Grant	748	7,553	9.9%
Gregory	608	4,018	15.1%
Haakon	168	1,851	9.1%
Hamlin	791	6,451	12.3%
Hand	221	3,107	7.1%
Hanson	248	3,471	7.1%
Harding	88	1,324	6.6%
Hughes	2,415	17,624	13.7%
Hutchinson	735	7,394	9.9%
Hyde	138	1,186	11.6%
Jackson	964	2,776	34.7%
Jerauld	190	1,660	11.4%
Jones	128	855	15.0%
Kingsbury	497	5,276	9.4%
Lake	944	11,031	8.6%

Lawrence	2,548	28,053	9.1%
Lincoln	3,371	73,238	4.6%
Lyman	1,023	3,705	27.6%
Marshall	417	4,390	9.5%
McCook	558	5,809	9.6%
McPherson	234	2,334	10.0%
Meade	2,537	30,954	8.2%
Mellette	773	1,851	41.8%
Miner	206	2,280	9.0%
Minnehaha	26,300	206,930	12.7%
Moody	763	6,450	11.8%
Oglala Lakota	7,409	13,434	55.2%
Pennington	16,101	115,903	13.9%
Perkins	305	2,834	10.8%
Potter	141	2,413	5.8%
Roberts	2,521	10,206	24.7%
Sanborn	225	2,399	9.4%
Spink	713	6,166	11.6%
Stanley	226	3,043	7.4%
Sully	67	1,494	4.5%
Todd	5,537	9,199	60.2%
Tripp	1,147	5,621	20.4%
Turner	882	9,027	9.8%
Union	1,158	17,183	6.7%
Walworth	872	5,269	16.5%
Yankton	2,952	23,517	12.6%
Ziebach	1,163	2,322	50.1%
County Not Available	1,917		