July 30, 2018

Richard Allen  
Associate Regional Administrator  
Centers for Medicare and Medicaid Services  
1961 Stout Street, Room 08-148  
Denver, CO 80294

Re: South Dakota Medicaid State Plan Amendment SD-18-005

Dear Mr. Allen:

Please find enclosed South Dakota’s Medicaid State Plan Amendment (SPA) SD-18-005. The SPA implements changes to the South Dakota Medicaid State Plan regarding graduate medical education (GME) including the establishment of a reimbursement methodology for in-state rural residency programs. The SPA also clarifies notifications requirements in the event a hospital terminates a GME program or determines it will no longer apply for funding. The SPA revises Attachment 4.19-A, page 10 and adds page 10b to the South Dakota Medicaid State Plan.

South Dakota requests an effective date of July 1, 2018. The Department estimates the federal fiscal impact will be $58,032.00 in Federal Fiscal Year 2018 and $174,096.00 in Federal Fiscal Year 2019.

The State conducted Tribal Consultation beginning with notification on June 11, 2018. We have attached a copy of the notification sent to the Tribes. Public notice was published in the South Dakota REGISTER, http://sdlegislature.gov/docs/rules/Register/06112018.pdf, on June 11, 2018. We received two comments, which are included with the submission. Both comments expressed support for the rural residency program. The comments expressed the need for physicians in rural areas of South Dakota and the programs ability to address this need.

If you have any questions regarding this package, please contact Sarah Aker, Deputy Director of the Division of Medical Services, 700 Governors Drive, Pierre, SD 57501-2291, e-mail sarah.aker@state.sd.us, or telephone (605) 773-3495.

Sincerely,

Lynne A. Valenti  
Cabinet Secretary

CC: Brenda Tidball-Zeltinger, Deputy Secretary  
William Snyder, Director  
Sarah Aker, Deputy Director
| TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL | 1. TRANSMITTAL NUMBER: SD-18-005 |
| FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES | 2. STATE: South Dakota |
| TO: REGIONAL ADMINISTRATOR | 3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) |
| CENTERS FOR MEDICARE & MEDICAID SERVICES | 4. PROPOSED EFFECTIVE DATE: July 1, 2018 |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | 5. TYPE OF PLAN MATERIAL (Check One): |
| ☐ NEW STATE PLAN | ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN | ☐ AMENDMENT |
| COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment) |
| 6. FEDERAL STATUTE/REGULATION CITATION: | 7. FEDERAL BUDGET IMPACT: |
| 1902(a)(13) and 42 CFR 447 Subpart C | a. FFY 2018: $ 58,032.00 |
| 8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: | b. FFY 2019: $ 174,096.00 |
| Attachment 4.19-A, pages 10a and 10b | 9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): |
| Attachment 4.19-A, page 10 |

10. SUBJECT OF AMENDMENT:
The proposed state plan amendment make changes to the South Dakota Medicaid State Plan regarding graduate medical education (GME) including the establishment of a reimbursement methodology for in-state rural residency programs. The SPA also clarifies notifications requirements in the event a hospital terminates a GME program or determines it will no longer be applying for funding.

11. GOVERNOR'S REVIEW (Check One):
☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL: Lynne A. Valent

13. TYPED NAME: Lynne A. Valent

14. TITLE: Cabinet Secretary

15. DATE SUBMITTED: July 30, 2018

16. RETURN TO: DEPARTMENT OF SOCIAL SERVICES DIVISION OF MEDICAL SERVICES 700 GOVERNORS DRIVE PIERRE, SD 57501-2291

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: 

18. DATE APPROVED: 

19. EFFECTIVE DATE OF APPROVED MATERIAL: 

20. SIGNATURE OF REGIONAL OFFICIAL: 

21. TYPED NAME: 

22. TITLE: 

23. REMARKS: 

FORM CMS-179 (07-92)
FILINGS IN THE LEGISLATIVE RESEARCH COUNCIL’S OFFICE:

Notice of Proposed Rules: (The date in parentheses is the date the rules were filed with the Legislative Research Council.)

Department of Education: South Dakota Board of Education Standards: (June 5, 2018) intends to repeal certain rules regarding postsecondary technical education to permit the Board of Technical Education to assume authority over the postsecondary technical institutes; amend rules to allow educators an additional year to complete the required coursework for CTE educator certification; create a new educator certification endorsement for the Government and Public Administration Career Cluster; and amend high school graduation requirements for South Dakota schools. The general authority for these rules, as cited by the board, is SDCL §§ 13-1-12.1, 13-3-47, 13-33-19, 13-37-1.1, and 13-42-3.

A public hearing will be held at the MacKay Building, First Floor, Library Commons, 800 Governors Drive, Pierre, South Dakota, on July 16, 2018, at 9:00 a.m. CT. Copies of the proposed rules may be obtained without charge from and written comments sent to South Dakota Department of Education, Attn: Ferne Haddock, 800 Governors Drive, Pierre, SD 57501 or electronically to ferne.haddock@state.sd.us. Persons may also submit the information at https://rules.sd.gov/default.aspx. Materials sent by mail or email must reach the Department by July 12, 2018, to be considered. This hearing is being held in a physically accessible place. Persons who have special needs for which the Department can make arrangements are asked to call (605) 773-3553 at least 48 hours before the public hearing.

NOTICE:

The Department of Social Services intends to make changes to the South Dakota Medicaid State Plan regarding graduate medical education (GME) including the establishment of a reimbursement methodology for in-state rural residency programs. Funding for the Rural Family Medicine Residency in Pierre was appropriated by the 2018 state legislature. The program was developed at the recommendation of the Governor’s Primary Care Task Force to help address the need for more primary care physicians in rural communities. Participants will receive their first year of training in Sioux Falls and complete their second and third years in Pierre. Development of a rural family medicine residency track to train six additional medical students (two per year) will address health care workforce shortages in rural communities. In addition to establishing a reimbursement methodology for in-state rural residency programs, the State Plan Amendment (SPA) also clarifies notifications requirements in the event a hospital terminates a GME program or determines it will no longer be applying for GME funding. The clarifications in the SPA do not alter the current GME reimbursement methodology. The SPA revises Attachment 4.19-A, page 10 and adds page 10b to the South Dakota Medicaid State Plan. The Department intends to make this SPA effective July 1, 2018 and estimates the federal fiscal impact will be $58,032.00 in Federal Fiscal Year 2018 and $174,096.00 in Federal Fiscal Year 2019.
The SPA can be viewed online at http://dss.sd.gov/medicaid/medicaidstateplan.aspx. Copies of the proposed SPA are available at the Department of Social Services, Division of Medical Services. Written requests for a copy of these changes, and corresponding comments, may be sent to Division of Medical Services, Department of Social Services, 700 Governors Drive, Pierre, SD 57501.

FILINGS IN THE SECRETARY OF STATE’S OFFICE:


History-Notice: 44 SDR 139, March 19, 2018
Hearing: April 5-6, 2018
Filed: June 4, 2018
Effective: June 25, 2018


DEPARTMENT OF TRANSPORTATION: 70:01:02:13, 70:01:02:17, 70:01:02:33.

History-Notice: 44 SDR 101, Dec. 4, 2017
Hearing: December 21, 2017
Filed: June 4, 2018
Effective: June 25, 2018

DEPARTMENT OF TRANSPORTATION:
70:01:02:02, 70:01:02:09, 70:01:02:12, 70:01:02:32, 70:01:02:38, 70:01:02:48, 70:01:02:49, 70:01:02:51, 70:01:02:53, 70:01:02:55.

History-Notice: 44 SDR 135, March 12, 2018
Hearing: March 29, 2018
Filed: June 4, 2018
Effective: June 25, 2018

DEPARTMENT OF EDUCATION:
SOUTH DAKOTA BOARD OF TECHNICAL EDUCATION: 24:59.

DEPARTMENT OF LABOR AND REGULATION: APPRAISER CERTIFICATION PROGRAM:


DEPARTMENT OF LABOR AND REGULATION: DIVISION OF INSURANCE:
Good Morning,

Please find attached South Dakota State Plan Amendment (SPA) 18-005. The SPA is regarding graduate medical education including the establishment of a reimbursement methodology for in-state rural residency programs. Funding for the Rural Family Medicine Residency program in Pierre was appropriated by the state legislature during the 2018 legislative session. The program was developed at the recommendation of the Governor’s Primary Care Task Force to help address the need for more primary care physicians in rural communities. Participants in the rural family medicine residency will receive their first year of training Sioux Falls and then complete their second and third years in Pierre. Development of a rural family medicine residency track to train six additional medical students (two per year) will help address health care workforce shortages in rural communities. Students educated and who complete their residencies in South Dakota are more likely to practice in rural South Dakota.
In addition to establishing a reimbursement methodology for in-state rural residency programs the State Plan Amendment (SPA) also clarifies notifications requirements in the event a hospital terminates a GME program or determines it will no longer be applying for GME funding. The clarifications in the SPA do not alter the current GME reimbursement methodology.

We intend to make this SPA effective July 1, 2018. Please contact us within 30 days of receipt of this message with any questions or comments.

Sincerely,

Matthew Ballard | Program Specialist II
South Dakota Department of Social Services
Division of Medical Services
(605) 773-3495

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June 11, 2018

RE: South Dakota Medicaid State Plan Amendment #SD-18-005

The South Dakota Department of Social Services intends to make changes to the South Dakota Medicaid State Plan regarding graduate medical education (GME) including the establishment of a reimbursement methodology for in-state rural residency programs. Funding for the Rural Family Medicine Residency program in Pierre was appropriated by the state legislature during the 2018 legislative session. The program was developed at the recommendation of the Governor’s Primary Care Task Force to help address the need for more primary care physicians in rural communities. Participants in the rural family medicine residency will receive their first year of training Sioux Falls and then complete their second and third years in Pierre. Development of a rural family medicine residency track to train six additional medical students (two per year) will help address health care workforce shortages in rural communities. Students educated and who complete their residencies in South Dakota are more likely to practice in rural South Dakota.

In addition to establishing a reimbursement methodology for in-state rural residency programs the State Plan Amendment (SPA) also clarifies notifications requirements in the event a hospital terminates a GME program or determines it will no longer be applying for GME funding. The clarifications in the SPA do not alter the current GME reimbursement methodology.

We intend to make this SPA effective July 1, 2018. The Department estimates the federal fiscal impact will be $58,032.00 in Federal Fiscal Year 2018 and $174,096.00 in Federal Fiscal Year 2019.

Please contact me within 30 days of receipt of this message with any questions or comments.

Sincerely,

Sarah Aker
Deputy Director
Division of Medical Services
South Dakota Department of Social Services

CC: Lynne A. Valenti, Cabinet Secretary
    Brenda Tidball-Zeltinger, Deputy Secretary
    William Snyder, Director
Medicaid State Plan Amendment Proposal

Transmittal Number: SD-18-005

Effective Date: 7/1/2018

Brief Description: This State Plan Amendment establishes a reimbursement methodology for in-state rural residency programs. It also clarifies notifications requirements in the event a hospital terminates a GME program or determines it will no longer be applying for GME funding.

Area of State Plan Affected: Attachment 4.19-A

Page(s) of State Plan Affected: Revises page 10 and adds page 10b

Estimate of Fiscal Impact, if Any: FFY18: $58,032.00
                                    FFY19: $174,096.00

Reason for Amendment: To establish a reimbursement methodology for in-state rural residency programs.
HEALTH PROFESSION EDUCATION

The Department of Social Services supports the direct graduate medical education (GME) of health professionals through the use of Medicaid funds. All in-state, private hospitals which are accredited by the Accreditation Council for Graduate Medical Education (ACGME) are eligible for health profession education payments. Those hospitals are identified through the use of their most recently-filed Medicare 2552-10, cost reports. Specifically, worksheet E-4 (Line 1.00) is utilized to identify the number of weighted full-time equivalents for primary care physicians at participating facilities. The agency calculates the Medicaid hospital patient days using the Division of Medical Services (DMS) Cost Settlement Details report of adjudicated claims for the same period as the Medicare 2552 cost report.

Hospitals seeking GME payments must submit an application for the previous state fiscal year’s costs to DMS prior to the end of the current state fiscal year. The agency will make payments for costs incurred in the previous state fiscal year, as defined below, annually prior to the end of the current state fiscal year. Payments will be made through the state’s Medicaid Management Information System (MMIS) payment system. Payments will be made directly to the qualifying hospitals through a supplemental payment mechanism. The payment will appear on the facility’s remittance advice. Each hospital will also receive written notification at the time of payment of the payment amount from DMS.

GME payments made in error will be recovered via a supplemental recovery mechanism and will appear on the facility’s remittance advice. The agency will notify the facility in writing explaining the error prior to the recovery.

A hospital that applied for GME funding in the previous 24 months must provide written notice to DMS no less than 30 days prior to the effective date it intends to terminate operation of a GME program. A hospital must also provide timely written notice to DMS if it will not be applying for GME funding for the previous year’s costs.

The agency will determine the annual payment pool for the upcoming state fiscal year prior to the start of the fiscal year on July 1. The pool will be distributed based upon the allocation percentage of each hospital. The hospital allocation percentage will be developed using prior year total Medicaid inpatient days and weighted intern and resident (I & R) full time equivalency (FTE). The state uses the prior year’s cost report data as a proxy for the current year. For example, the state fiscal year 2008 calculation of allocations from the payment pool was the following:

<table>
<thead>
<tr>
<th>Hospital</th>
<th>(a) Weighted I &amp; R FTEs</th>
<th>(b) Medicaid Hospital Patient Days</th>
<th>(c) (a*b) Weighted FTE Days</th>
<th>(d) Hospital Allocation Percentage</th>
<th>Payment Pool Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital A</td>
<td>17</td>
<td>11,450</td>
<td>194,650</td>
<td>35.34%</td>
<td>$1,052,009</td>
</tr>
<tr>
<td>Hospital B</td>
<td>22</td>
<td>10,692</td>
<td>232,230</td>
<td>42.16%</td>
<td>$1,255,116</td>
</tr>
<tr>
<td>Hospital C</td>
<td>23</td>
<td>5,342</td>
<td>123,988</td>
<td>22.51%</td>
<td>$670,107</td>
</tr>
<tr>
<td>Totals</td>
<td>62</td>
<td>27,484</td>
<td>550,868</td>
<td>100.00%</td>
<td>$2,977,233</td>
</tr>
</tbody>
</table>

Total state funds available for payment through the pool are listed on the department’s website, [http://dss.sd.gov/medicaid/providers/feeschedules/](http://dss.sd.gov/medicaid/providers/feeschedules/).
Rural Residency Program

In-state rural residency programs are eligible for payment of direct GME via a separate funding pool. The rural residency program must be accredited by the ACGME to be eligible for health profession education payments.

Costs must be submitted on a quarterly basis to validate costs for the previous quarter. Subsequent payments will be adjusted, as appropriate, based on actual cost experience. The payment will be made to the rural residency program through the MMIS system. Payments will be made directly to the qualifying program through a supplemental payment mechanism and will appear on their remittance advice. Each rural residency program will receive written notification at the time of payment of the payment amount from DMS.

GME payments made in error that cannot be adequately addressed through adjustment of future quarterly payments will be recovered via a supplemental recovery mechanism and will appear on the program’s remittance advice. The agency will notify the facility in writing explaining the error prior to the recovery.

A program that applied for GME funding in the previous 12 months must provide written notice to DMS no less than 30 days prior to the effective date it intends to terminate operation of a GME program. A program must also provide timely written notice to DMS if it will no longer be applying for GME funding.

The agency will determine the annual rural residency program payment pool for the upcoming state fiscal year prior to the start of the fiscal year on July 1. The total state funds available for payment through the rural residency program pool are listed on the department’s website, http://dss.sd.gov/medicaid/providers/feeschedules/.