

SUMMARY OF NURSING HOME RATE METHODOLOGY PROPOSAL 2023 LEGISLATIVE SESSION

The Rate Review Methodology Workgroup met several times over the course of the summer and fall of 2022. The workgroup was led by Myers and Stauffer, a consulting firm hired by DHS, and was composed of stakeholders including DHS staff, DSS staff, skilled care providers, and healthcare associations.

The workgroup issued a final report in November 2022. The findings of this report included five base recommendations to strengthen the system and reimburse providers based on current costs. Those recommendations are:

- Rebase rates using the 2021 cost data. The last system rebasing was in 2015.
- Remove the overall rate increase limit.
- Remove the occupancy rule from direct care rate component.
- Update the way inflation factors are calculated.
- Implement PDPM-based case mix calculations.

Nationally, overall Medicaid cost coverage for Nursing Facilities should range between 90 percent and 93 percent to ensure providers remain financially viable.

12% OF FACILITIES CLOSED IN THE LAST 5 YEARS

Impacted Communities

- Rosholt
 - Bryant
 - Tripp
 - Mobridge
 - Madison
 - SF Covington
 - Huron
 - Hudson
 - Custer
 - Ipswich
 - Lennox
 - Clear Lake
 - Salem
 - Armour
- Recently announced closures:
- Elk Point
 - Arlington

WHY RATES MATTER

- Most nursing facilities rely on Medicaid for over half of residents. (53.71% average)
- More than 70% of our nursing homes were built before 1970 - over 50 years old.
- Workforce is still the top challenge for healthcare facilities in South Dakota. 25-40% YOY inflationary increase.

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The Governor's funding proposal of 90% of methodology achieves actual cost coverage of approximately 84% - leaving a gap of uncompensated care, which is shifted over to private pay residents in order to break even.

	Current	Governor's Proposal	Workgroup Recommendation
Methodology	80%	90%	100%
Average Rate	\$206.74	\$232.93	\$259.07
Cost Coverage	75.87%	83.54%	92.77%

Methodology: The formula used to calculate the allowable costs for nursing homes.

Rebasing: Updating the methodology using the most recent cost report. (the last rebase was using 2015 cost report)

Average Cost Coverage: Percentage of allowable costs that the rate covers. Generally less than 100% due to private pay rates and other factors.

Average Per Patient Day (PPD) Rate: Total dollars divided by the number of days cared for Medicaid patients.