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.

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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.
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.

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

### SUMMARY OF NURSING HOME RATE METHODOLOGY PROPOSAL 2023 LEGISLATIVE SESSION

<table>
<thead>
<tr>
<th>Methodology</th>
<th>Current</th>
<th>Governor's Proposal</th>
<th>Workgroup Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Methodology</td>
<td>80%</td>
<td>90%</td>
<td>100%</td>
</tr>
<tr>
<td>Average Rate</td>
<td>$206.74</td>
<td>$232.93</td>
<td>$259.07</td>
</tr>
<tr>
<td>Cost Coverage</td>
<td>75.87%</td>
<td>83.54%</td>
<td>92.77%</td>
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</tbody>
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