

SD Board of Nursing Facility Administrators

From: Krzmarzick, Heather <Heather.Krzmarzick@state.sd.us>
Sent: Sunday, September 13, 2026 2:19 PM
To: SD Board of Nursing Facility Administrators
Subject: RE: NFA September 15th Board Meeting - Annual Update

Sorry, more time in the work day would be helpful 😊 I really only have one update for this audience. My apologies to the Board that I could not be there to share this update.

2026 Nursing Facility Rate Methodology Workgroup Update

The 2026 Nursing Facility Rate Methodology Workgroup has met four times since April to review and provide input on the methodology used to determine nursing facility rates in South Dakota.

The Department appreciates the time and expertise that workgroup members (nursing facility administrators, SDHCA, and SDAHO) have brought to this process. Members have been thoughtful and engaged in reviewing the current methodology and identifying areas where adjustments may be beneficial.

Overall, the workgroup's discussions have indicated that the current rate methodology is generally sound, but there are several areas where targeted changes or refinements could help address challenges experienced by nursing facilities. In particular, the workgroup has identified the following areas for further consideration:

- **Access critical facilities:** Consideration is needed for facilities that play a critical role in maintaining access to nursing facility services in their communities, particularly in areas where alternatives may be limited.
- **Efficiency and minimum ceilings:** The workgroup has discussed whether there are opportunities to better recognize providers that operate efficiently with administrative and capital costs but are currently constrained by the methodology's minimum or ceiling provisions.
- **Therapy reimbursement:** The therapy component of the methodology also needs to be revisited. The data source previously used to establish this portion of the methodology is no longer available as a result of the implementation of the Patient-Driven Payment Model (PDPM). A new, reliable data source and approach is therefore needed. It was recommended to do an allocation based on the ratio of Medicaid therapy charges to total therapy charges.

A draft report summarizing the workgroup's discussions, findings, and recommendations is anticipated to be released later this year.

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