



To: South Dakota Nursing Facility Stakeholder Workgroup

From: Myers and Stauffer

Date: January 20, 2023

Subject: Revised Rate Review Report

During a recent review of the fiscal impact and underlying data presented in the South Dakota Nursing Home Rate Methodology Review report dated September 19, 2022, we became aware of a discrepancy in the rate information that was used to estimate the fiscal impact of the base recommendations. On page 40 of the report it states “To establish a base to measure fiscal impact against, we have included an estimate of the cost of simply maintaining FY 2023 rates through FY 2024.” Table 33: Base Recommendations, on page 41 also describes the current rates as rates effective July 1, 2022. However, instead of using the rates effectively July 1, 2022, the rates effective July 1, 2021, were actually used as the basis of the estimated cost of the current methodology and erroneously labeled in the report.

This error was due to our misunderstanding about adjustments made to the FY 2022 rates at the end of the 2022 legislative session. We had thought that the rate adjustment implemented effective April 1, 2022, was carried forward into fiscal year 2023 but would not be carried into FY 2024. So for the purpose of estimating FY 2024 rates, we presumed that the temporary rate adjustment should be ignored and the rates effective July 1, 2021, should be used as estimated FY 2024 rates and as the base for all fiscal impact calculations.

We understand now that the temporary increase implemented on April 1, 2022, continued only through June 30, 2022, and that new rates effective July 1, 2022, were implemented reflecting a 6% increase to the July 1, 2021 rates. Therefore, the base for fiscal impact calculations should have been the rates effective July 1, 2022.

Subsequent to discovering the error in calculating the base fiscal impact we acquired updated cost report information for several nursing facilities due to the completion of audit activity and other revisions submitted by providers. We have updated the modeling and analysis to reflect the changes in cost report data and the correction to use the rates effective July 1, 2022, as the base for fiscal impact calculations.

Making these updates changes the estimated fiscal impact of the base recommendations from \$62,472,191 to \$48,969,459, a reduction of \$13,502,732. The estimated total expenditures for maintaining the current rates is actually \$193,457,386 compared to \$182,703,238 before the correction. The total estimated expenditures for the combined base recommendations using the updated cost report data decreased slightly to \$242,426,845.

The updated report that was attached to the appointment for the workgroup meeting on January 26th reflects the correction to use the July 1, 2022, rates as the base for current estimated expenditures and audited cost report data. During the meeting on January 26<sup>th</sup> we will discuss the revised report and answer any questions you may have regarding the updates.