

South Dakota LTSS Services

2024 Rate Review – Adult Day, Community Living Homes, and Structured Family Caregiving

Presented to:

State of South Dakota

Department of Human Services

Presented by:

Guidehouse Inc.

1676 International Dr, McLean | VA 22102

November 25, 2024

[guidehouse.com](https://www.guidehouse.com)

This deliverable was prepared by Guidehouse Inc. for the sole use and benefit of, and pursuant to a client relationship exclusively with the South Dakota Department of Human Services ("Client"). The work presented in this deliverable represents Guidehouse's professional judgement based on the information available at the time this report was prepared. Guidehouse is not responsible for a third party's use of, or reliance upon, the deliverable, nor any decisions based on the report. Readers of the report are advised that they assume all liabilities incurred by them, or third parties, as a result of their reliance on the report, or the data, information, findings and opinions contained in the report.

Table of Contents

A. Executive Summary.....	3
B. Introduction.....	6
C. Rate Component Updates	6
C.1. Staff Wages and Inflationary Impacts	7
Baseline Wages.....	7
Supplemental Pay and Cost Trending.....	8
Benchmark Wages.....	9
C.2. Employee-Related Expenses.....	10
C.3. Administrative Costs	11
C.4. Program Support Costs	12
D. Fiscal Impact	13
D.1. Tier Reallocation.....	14
Appendix A: Data Sources	A-1
Appendix B: Benchmark Rates	B-1
Appendix C: Proposed Rate Models	C-1

Table of Tables

Table 1: Overall Fiscal Impact - Federal + State Share Fiscal Impact	4
Table 2: Overall Fiscal Impact - State Share Fiscal Impact	4
Table 3: Overview of Proposed Rate Component Updates in 2024 Non-ALF Services Administrative Update	6
Table 4: BLS Benchmarking for Baseline Hourly Wage.....	8
Table 5: Annual Cost Trending Metric for LTSS Service Wages	9
Table 6: Proposed SFY2026 Benchmark Wages	9
Table 7: Health Insurance Costs Comparison	11
Table 8: Administrative Add-On	12
Table 9: Program Support Add-On.....	13
Table 10: Total Fiscal Impact (Federal + State Share)	14
Table 11: Tier Allocations.....	14
Table 12: Unit Allocation Comparison	15
Table 13: Total Fiscal Impact with Tier Reallocation (Federal + State Share).....	16
Table 14: Total Fiscal Impact with Tier Reallocation (State Share).....	16
Table 15: Overview of Data Sources for 2024 LTSS Services Administrative Rate Review	A-1
Table 16: Proposed SFY2026 Benchmark Rates for LTSS Services.....	B-1
Table 17: Proposed SFY2026 Rate Models for Adult Day Services	C-1
Table 18: Proposed SFY2026 Rate Models for Structured Family Caregiving Services	C-3
Table 19: Proposed SFY2026 Rate Models for Community Living Homes Services	C-5

A. Executive Summary

In this report, Guidehouse presents the results of the 2024 rate review for the Medicaid and State Adult Day, Community Living Homes (CLH), and Structured Family Caregiving (SFC) services reimbursed by the South Dakota Department of Human Services (DHS), Division of Long-Term Services and Supports (LTSS).

The goal of the rate review was to assess the existing State Fiscal Year (SFY) 2025 rates developed as part of the 2023 LTSS Rate Study (“Rate Study”) and develop proposed SFY2026 benchmark rates that are reflective of real-time economic indicators and responsive to changes in the labor market.

The rate review process draws from a wide array of DHS and public data sources to update rate model assumptions and develop benchmark rate recommendations for the individual services. Guidehouse analyzed recent data published by these sources to inform and recommend the following administrative updates based on our analysis:

- **Benchmark Wage Assumptions** – Inflated SFY2024 wages to SFY2026 wages using the SFY2024 Bureau of Labor Statistics (BLS) Current Employment Statistics (CES) metric.
- **Administrative and Program Support Costs** – These components of the rate model are based on a percentage of overall wages. Guidehouse recommends maintaining the current assumptions as the recommended increases in overall wages result in proportional increases to the administrative and program support costs.
- **Employee Related Expenses (ERE) Assumptions** – Remain consistent with SFY2025 levels, consistent with the South Dakota Medical Expenditure Panel Survey (MEPS) data released by the Agency for Healthcare Research and Quality (AHRQ).
- **Transportation Costs** – Updated to account for the increase in the IRS mileage rate from 2023 to 2024.

Guidehouse recommends keeping cost assumptions related to service design and delivery, including productivity factors, and supervision and staffing ratios, consistent with assumptions in the current rate models. The assumptions were reviewed with providers and DHS as part of the 2023 Rate Study. The key cost drivers for the proposed SFY2026 benchmark rates are inflation and transportation costs. The proposed benchmark rates represent increases of a 0.2 percent to 48 percent over the existing SFY2025 rate across services.

Based on the proposed SFY2026 benchmark rates developed from the service rate models, Guidehouse conducted a fiscal impact analysis to support the proposed benchmark rate recommendations. This analysis indicated that if the proposed benchmark rates were implemented, the system would require an additional \$1.37 million—which includes both state and federal dollars—to reimburse providers at the proposed SFY2026 benchmark rates. This dollar increase is a 14.5 percent increase from the current rates in effect as of July 1, 2024. However, when considering the 48.47 percent state/51.53 percent federal FMAP the state share

would be \$665,753. These dollar estimates include the funds required for Adult Day, CLH, and SFC services under DHS assuming no changes to utilization and no third-party payments. These other considerations are addressed in section **D. Fiscal Impact**. **Table 1** below reflects the overall fiscal impact for DHS based on the proposed benchmark rates.

Table 1: Overall Fiscal Impact - Federal + State Share Fiscal Impact

Service	Utilization Paid at SFY2025 Rates	Utilization Paid at SFY2026 Proposed Benchmark Rates	Change	Difference
Total	\$9,444,062	\$10,817,598	14.5%	\$1,373,535
Adult Day	\$117,440	\$117,680	0.2%	\$240
SFC – Base	\$3,829,367	\$4,536,434	18.5%	\$707,067
SFC – Tier 1	\$5,089,544	\$5,675,437	11.5%	\$585,893
SFC – Tier 2	\$344,226	\$394,391	14.5%	\$49,986
CLH – Base	\$53,633	\$79,344	47.9%	\$25,711
CLH – Tier 1	\$9,673	\$14,312	48.0%	\$4,639
CLH – Tier 2	\$0	\$0	0%	\$0

Table 2 below considers that state portion of Medicaid dollars needed, reflecting the impact to the state apart from federal participation.

Table 2: Overall Fiscal Impact - State Share Fiscal Impact

Service	Utilization Paid at SFY2025 Rates	Utilization Paid at SFY2026 Benchmark Rates	Change	Difference
Total	\$4,577,537	\$5,243,290	14.5%	\$665,753
Adult Day	\$56,923	\$57,039	0.2%	\$116
SFC – Base	\$1,856,094	\$2,198,810	18.5%	\$342,715

Service	Utilization Paid at SFY2025 Rates	Utilization Paid at SFY2026 Benchmark Rates	Change	Difference
SFC – Tier 1	\$2,466,902	\$2,750,884	11.5%	\$283,982
SFC – Tier 2	\$166,933	\$191,161	14.5%	\$24,228
CLH – Base	\$25,996	\$38,458	47.9%	\$12,462
CLH – Tier 1	\$4,688	\$6,937	48.0%	\$2,248
CLH – Tier 2	\$0	\$0	0%	\$0

The proposed SFY2026 benchmark rates and fiscal impact projections represent estimates only and the actual rates will be set based on appropriated funding from the legislature.

The remainder of the report further covers the topics highlighted in the Executive Summary.

B. Introduction

The South Dakota Department of Human Services (DHS) Division of Long-Term Services and Supports (LTSS) contracted with Guidehouse Inc. ("Guidehouse"), to conduct annual administrative rate reviews for Adult Day, Community Living Homes (CLH), and Structured Family Caregiving (SFC) services. Guidehouse reviewed the existing SFY2025 rates ("Current Rates") and developed proposed SFY2026 benchmark rates for those services:

The administrative update process utilized a multitude of data sources, consistent with the 2023 LTSS Services Rate Study ("2023 Rate Study"), to inform rate components including wages, benefits, administrative costs, and program support costs. The sections below include an account of the key trends and calculations that inform updates to specific rate components. The proposed SFY2026 benchmark rates represent estimated rates only and the actual rates will be set based on appropriated funding from the legislature.

C. Rate Component Updates

Guidehouse analyzed national and statewide data sources, incorporating data reported by LTSS providers and public data to capture updates reflective of provider experience, objective market indicators, and experience in the broader industry. Appendix A outlines the data sources utilized in the rate review process, including the function of each source in developing cost assumptions, as well as the data points analyzed.

The analysis resulted in a recommended 6.6 percent average rate increase across tiers based on updated inflation metrics and transportation mileage costs in comparison to the previously proposed Guidehouse SFY2025 rates. However, when comparing to the South Dakota implemented rates, the increase is 26.6 percent. Administrative and program support cost assumptions also increase when wages rise, since these costs are represented as percentages of wages. **Table 3** below summarizes the updated rate components and the average percentage impact on the proposed SFY2026 benchmark rates across services.

**Table 3: Overview of Proposed Rate Component Updates in 2024 Non-ALF Services
Administrative Update**

Rate Component	Proposed Rate Component Updates	Average Percentage Impact on Proposed SFY2026 Benchmark Rates
Inflation	Adjusted wage inflation for SFY2024 to SFY2025 from 3.10% to 3.81%. Inflated wages 3.81% from SFY2025 to SFY2026.	+4.6% impact

Rate Component	Proposed Rate Component Updates	Average Percentage Impact on Proposed SFY2026 Benchmark Rates
Transportation	Update IRS mileage from \$0.655 to \$0.670 per mile	+2.3% impact

The sections below include additional details on the rate component updates. **Appendix B** and **Appendix C** include the proposed SFY2026 benchmark rates and rate models for each service respectively.

C.1. Staff Wages and Inflationary Impacts

Guidehouse maintained SFY2024 baseline wages as obtained from the 2023 Rate Study. The comparison of the existing SFY2024 baseline wages to May 2023 BLS Occupational Employment and Wage Statistics (OEWS) wage data for South Dakota revealed that the baseline wages in the current SFY2025 rate align with industry standards¹. Updated supplemental pay for 2019-2024 revealed consistent trends with the 2018-2023 metric included in the current rates, increasing from 3.76 percent to 3.82 percent. Cost trending analysis from BLS data helped inform the inflation metric to arrive at SFY2026 benchmark wages.

Baseline Wages

Guidehouse recommends maintaining the baseline wages at the SFY2024 baseline wages inflated for the current SFY2025 rates. Standardized job wages such as LPN wages included in the current rates exceed BLS industry standards in SFY2023. **Table 4** below includes a comparison of current baseline wages and BLS OEWS wages for SFY2023.

¹ Bureau of Labor Statistics, Occupation Employment Wage Statistics. Available online: <https://www.bls.gov/oes/>

Table 4: BLS Benchmarking for Baseline Hourly Wage

Survey Results				BLS May 2022			BLS May 2023	
Survey Staff Description	BLS Job Type	Survey Average Hourly Wage (FTE Weighted) - 7/1/2023	Inflated by 3.1% (7/1/2024)	BLS May 2022 (Actual)	Inflated Hourly Mean Wage (May 2023)	Difference to Survey	BLS May 2023 (Actual)	BLS 2022 to 2023
Certified Medication Assistant (All-Inclusive)	Home Health and Personal Care Aides(311120)	\$15.66	\$16.15	\$15.20	\$15.67	-0.1%	\$16.92	8.0%
Certified Nurse's Assistant (CNA)	Healthcare Support Workers, All Other(319099)	\$18.88	\$19.46	\$18.45	\$19.02	-0.8%	\$20.49	7.7%
Caregiver	Home Health and Personal Care Aides(311120)	\$14.94	\$15.40	\$15.20	\$15.67	-4.9%	\$16.92	8.0%
Case Manager	Community and Social Service Occupations(210000)	\$25.35	\$26.14	\$22.58	\$23.28	8.2%	\$23.70	1.8%
Licensed Practical Nurse (LPN)	Licensed Practical and Licensed Vocational Nurses(292061)	\$22.79	\$23.49	\$22.12	\$22.81	-0.1%	\$23.84	4.5%
Residential Manager	Lodging Managers(119081)	\$26.80	\$27.63	\$27.88	\$28.74	-7.2%	\$30.02	4.4%
Clinical Director	Medical and Health Services Managers(119111)	\$44.46	\$45.84	\$57.14	\$58.91	-32.5%	\$63.42	7.7%

Supplemental Pay and Cost Trending

The 5-year average for BLS Employer Costs for Employee Compensation (ECEC) supplemental pay for the Nursing and Residential Care Facilities as a percentage of wages increased from 3.76 percent 2018-2023 to 3.82 percent in 2019-2024. This increase in supplemental pay is

represented in the calculations for proposed SFY2026 benchmark wages².

The SFY2025 current rates are based on inflation reported by providers in the 2023 rate study provider survey and reflective of LTSS provider wage changes through SFY2024. Therefore, Guidehouse recommends maintaining the wage increases to SFY2024. To obtain SFY2026 wages, Guidehouse reviewed the BLS Current Employment Statistics (CES) data for Assisted Living for the Elderly Staff³ for consistency among other LTSS services. We recommend obtaining the SFY2026 wages by inflating the SFY2024 wages by the BLS CES May 2023 – April 2024 average growth rate of 3.81 percent for two years. This contrasts with inflating the SFY2025 projected wages from the prior rate review since those wages were partially based on projected inflation (3.1 percent) from CES in 2023. By using SFY2024 wages, the inflation used to arrive at current benchmarks maximizes the use of historical data and minimizes the use of projected values. **Table 5** below includes the cost trending metric used to inflate baseline wages to SFY2026, representing individual yearly inflation. Total wage inflation within the table below is compounded.

Table 5: Annual Cost Trending Metric for LTSS Service Wages

SFY2024-SFY2025	SFY2025-SFY2026	Total Wage Inflation
+3.81% (BLS CES)	+3.81 (BLS CES)	7.77%

Benchmark Wages

Table 6 below includes the proposed SFY2026 benchmark wages inclusive of updated baseline wages, supplemental pay, and inflation. The SFY2026 benchmark wages represent an inflationary increase combined with updated supplemental pay over the SFY2025 wage assumptions included in the current models for each job type.

Table 6: Proposed SFY2026 Benchmark Wages

Job Title	SFY2024 Baseline Wages (Current Baseline Wages)	SFY2026 Wages (Updated 7.77% Inflation with Supplemental Pay)
Certified Medication Assistant (CMA)	\$15.66	\$17.52

² Bureau of Labor Statistics, Employer Costs for Employee Compensation. Available online: <https://www.bls.gov/ecec/home.htm>

³ Bureau of Labor Statistics, Current Employment Statistics. Available online: <https://www.bls.gov/ces/>

Job Title	SFY2024 Baseline Wages (Current Baseline Wages)	SFY2026 Wages (Updated 7.77% Inflation with Supplemental Pay)
Certified Nurse's Assistant (CNA)	\$18.88	\$21.12
Caregiver	\$14.94	\$16.72
Case Manager	\$25.35	\$28.36
Licensed Practical Nurse (LPN)	\$22.79	\$25.49
Residential Manager	\$27.20	\$30.43
Clinical Director	\$44.46	\$49.74
Nurse Manager	\$30.51	\$34.13

C.2. Employee-Related Expenses

Guidehouse reviewed South Dakota's Medical Expenditure Panel Survey (MEPS) data for changes in provider health insurance costs and take-up rates included in the current rates⁴. We analyzed the most recent 2023 MEPS dataset to review several factors including health insurance monthly premiums, health insurance employee take-up rate, and part-time adjustment factor. Since these values are consistent with prior year, Guidehouse recommends retaining the current assumptions regarding these factors. We also recommend keeping other components of ERE, including legally required benefits, retirement benefits, and paid time off days, consistent with the assumptions reviewed with the providers from the 2023 Rate Study since these are standardized benefits. **Table 7** below highlights the comparison between 2022 and 2023 MEPS data.

⁴ Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey. Available online: <https://meps.ahrq.gov/mepsweb/>

Table 7: Health Insurance Costs Comparison

Metric	2022 MEPS Data	2023 MEPS Data
Employer Contribution to Health Insurance (including family and individual coverage)	\$10,061	\$9,831
Percent of full-time employees	86.3%	86.1%
Health Insurance Take-Up Rate	53.0%	53.8%
Monthly	\$883.68	\$861.89

C.3. Administrative Costs

Administrative expenses reflect costs associated with operating a provider organization, such as costs for administrative employees' salaries and wages along with non-payroll administration expenses, such as licenses, property taxes, liability, and other insurance. Rate models typically add a component for administrative expenses to spread costs across the reimbursements for all services an organization may deliver; our recommended rates reflect this methodology by establishing a percentage add-on for each service rate.

To determine an administrative add-on, Guidehouse calculated the ratio of administrative costs to direct care wages by summing administrative costs reported in the South Dakota collected SFY2022 cost reports, then dividing by total direct care wages and benefits inflated according to new wage and fringe assumptions for direct care workers for the time period captured in the survey.⁵ Administrative costs include several categories:

- **Payroll Administrative Expenses:** *Employees and contracted employees who perform administrative activities or maintenance activities earn salaries and benefits, which count toward payroll expenses in the calculation of total administrative costs.*
- **Non-Payroll Administrative Expenses:** *Costs including office equipment and overhead comprise non-payroll administrative expenses, net of bad debt and costs related to advertising or marketing.*

Administrative percentages calculated from the cost reports were higher than industry trends. Guidehouse found that roughly 45% of providers reported administrative percentages over 40 percent. Based on these observations Guidehouse determined that leveraging national

⁵ The calculation to determine median and average administrative expense ratios excluded providers that did not report administrative or direct care costs or reported costs such the ratio of administrative costs to direct care costs was above 45%.

standards and best practices to standardize administrative cost expectations and control for any unique facility and system financial reporting structures would be beneficial when making rate recommendations. As such, a benchmark ratio of **25 percent** was recommended for rate calculations, which adds a dollar amount to a unit rate by multiplying the direct care related expenses by the average administrative percentage. Guidehouse recommends maintaining this ratio for the SFY2026 rates and as a standard going forward as it promotes stability and encourages efficiency.

It is important to note that although we are not recommending updates to the administrative and program support cost factors, the administrative and program support costs as a component of the overall rate increase with increases in benchmark wages since they are expressed as a percentage of the wages. **Table 8** illustrates the application of the administrative percentage to the direct care related cost to create the annual per person add-on before calculating the per diem rate.

Table 8: Administrative Add-On

Line Description	Structured Family Caregiving
Total Direct Care Costs	\$10,620.86
Administrative Overhead Percentage	25.0%
Administrative Overhead Factor	\$2,655.22 (Annual)

C.4. Program Support Costs

Program support expenses reflect non-administrative costs associated with delivering services, but which are not directly billable. These costs are specific to the program but require a direct service component to be billable; they may include costs related to program support staff, supplies, transportation or building expenses. Similar to the calculation for administrative costs, the program support percentage is calculated based on cost data reported in the provider surveys, cost reports and national benchmarks. Additionally, as with the administrative cost calculation, program support costs reported by providers were calculated in relation to direct care costs reported in the provider surveys and cost reports and found to be substantially higher than national and State comparisons. Cost reports were analyzed to determine the residential service program support by including program support staff and supply line items. Since food costs are not treated as program support supplies but as distinct room and board costs not covered under the Medicaid rate, Guidehouse separated out food costs reported as supplies for the residential services within the cost reports, adjusting the program support percentage to 10.1 percent for CLH and SFC programs and 14.5 percent for Adult Day programs due to higher facility costs reported in cost reports for that program. **Table 9** illustrates the application of the

program support percentage to the direct care related cost to create the indirect cost add-on per person.

Table 9: Program Support Add-On

Line Description	Structured Family Caregiving
Total Direct Care Costs	\$10,620.86
Program Support Percentage	10.1%
Program Support Factor	\$1,072.71 (Annual)

D. Fiscal Impact

Comparisons between current rates and the benchmarks developed by Guidehouse include the reimbursement rate included in the DHS effective fee schedules as well as considering other payments the Department may make to providers as a part of total reimbursement. The fiscal impact estimates in this section are based on the cost to transition from the current SFY2025 rates to the SFY2026 estimated rates at 100 percent of the methodology and does not account for any budgetary recommendations within the Governor's FY2026 budget recommendation.

To establish the payment baseline, Guidehouse priced each unit of service included in the data at the current rate. Additionally, payment from other sources that reduce the liability from the state were considered. A factor was applied to total paid amounts to arrive at "Net Other Paid" amounts based on the ratio of paid amounts for each service from Medicaid and third-party sources in claims data supplied by DHS. Expenditures calculated at Guidehouse's benchmark rates follow suit, allowing proportionate comparison for assessing financial impact. The fiscal impact numbers account for the state funded services as well as Medicaid services. This distinction is outlined since the state funded claims do not receive Federal Medical Assistance Percentage (FMAP) but will still be costs to the state. The SFY2026 FMAP for the LTSS service members is highlighted below:

- Medicaid FMAP applicable to LTSS service members is 48.47 percent State/51.53 percent Federal which is a blend of the State share of the FMAP for 1 quarter in Federal Fiscal Year (FFY) 2025 (July-Sept) and 3 quarters of FFY2026 (Oct-Jun) to align with the State fiscal year;
- State funded services receive no FMAP.

Table 10 shows the fiscal impact of funding rate changes to the full rate benchmark without any adjustments to service mix. The table includes a projection of expenditures if service utilization were to be paid at benchmark SFY2026 rates, which is compared to expenditures projected

based on SFY2024 utilization paid at SFY2025 published rates.

Table 10: Total Fiscal Impact (Federal + State Share)

Service	SFY2024 Units (Days)	SFY2024 Tier Allocation	SFY2024 Ratio of State Paid to Total Paid	Current Paid-SFY2025 (Current Rate * Units)	Current Paid-SFY2025-Net Other Paid	SFY2026 Proposed Paid (Proposed Rate * Units)	SFY2026 Proposed Paid - Net Other Paid	Change SFY2025 to SFY2026
Total	135,255	100%	100.0%	\$9,444,062	\$9,441,920	10,817,598	\$10,815,425	14.5%
Adult Day	32,000	100%	98.3%	\$117,440	\$115,477	\$117,680	\$115,713	0.2%
SFC – Base	47,945	47.0%	100.0%	\$3,829,367	\$3,829,367	\$4,536,434	\$4,536,434	18.5%
SFC – Tier 1	50,977	50.0%	100.0%	\$5,089,544	\$5,089,544	\$5,675,437	\$5,675,437	11.5%
SFC – Tier 2	3,080	3.0%	99.9%	\$344,406	\$344,226	\$394,391	\$394,185	14.5%
CLH – Base	1,095	84.7%	100.0%	\$53,633	\$53,633	\$79,344	\$79,344	47.9%
CLH – Tier 1	158	15.3%	100.0%	\$9,673	\$9,673	\$14,312	\$14,312	48.0%
CLH – Tier 2	0	0.0%	100.0%	\$0	\$0	\$0	\$0	0%

Note: The proposed SFY2026 benchmarks represent estimated expenditures only and the actual funds will be set based on appropriated funding from the legislature.

D.1. Tier Reallocation

During the 2023 Rate Study, Guidehouse evaluated the current distribution of participants within the three-tier structure for residential services by observing the resource utilization group score (RUG) to tier mapping. RUG scores are hierarchical using the Home Care Assessment (HCA) tool, meaning that each participant's tier determination had been largely based on one specific diagnosis rather than the cumulative needs of the individual. The recommendation was to change the mapping for tiers to utilize multiple HCA outcome scales which account for the anticipated needs of participants using a wholistic approach, evaluating all needs of the participant and not just a subset. This tier remapping began implementation at the start of SFY2025. However, for modeling SFY2026 estimates represent a full year impact of tier reallocation changes. The tier reallocation resulted in an overall shift in distribution to higher tiers. **Table 11** below details the tier allocations from SFY2024 – SFY2026.

Table 11: Tier Allocations

Tier	SFY2024 Distribution	SFY2025 Projected Distribution	SFY2026 Projected Distribution
SFC - Base	47.0%	58.8%	50.7%

Tier	SFY2024 Distribution	SFY2025 Projected Distribution	SFY2026 Projected Distribution
SFC - Tier 1	50.0%	26.5%	46.0%
SFC - Tier 2	3.0%	14.7%	3.3%
CLH – Base	84.7%	58.8%	50.7%
CLH - Tier 1	15.3%	26.5%	46.0%
CLH - Tier 2	0.0%	14.7%	3.3%

Using these tier allocations decreases the number of units at the base rate and increases the number at the tier 1 rate. A breakdown of this shift is detailed in **Table 12** below.

Table 12: Unit Allocation Comparison

Tier	SFY2024 Units	SFY2026 Projected Units
SFC - Base	47,945	51,715
SFC - Tier 1	50,977	46,921
SFC - Tier 2	3,080	3,366
CLH - Base	1,095	635
CLH - Tier 1	158	576
CLH - Tier 2	0	41

Table 13 shows the impact in both state and federal dollars to the program after these reallocated units are considered and Adult Day Title IIIB and Title IIIE dollars are taken into account. The total impact including state and federal shares is roughly \$1.3 million after considering third party payments.

Table 13: Total Fiscal Impact with Tier Reallocation (Federal + State Share)

Service	Reallocated Units	Current Paid / Current Utilization-SFY2025	Current Paid / Current Utilization-SFY2025 (Net Other Paid)	Proposed Paid / Projected Tiers SFY2026	Proposed Paid / Projected Tiers SFY2026 (Net Other Paid)	Change SFY2025 to SFY2026 (Net Other Paid)	Difference SFY2025 to SFY2026 (Net Other Paid)
Adult Day	32,000	\$117,440	\$115,477	\$117,680	\$115,713	0.2%	\$236
Adult Day - Title III E	76,147	\$279,459	\$279,459	\$280,031	\$280,031	0.2%	\$571
Adult Day - Title III B	241,939	\$887,916	\$887,916	\$889,731	\$889,731	0.2%	\$1,815
SFC	102,002	\$9,263,316	\$9,263,137	\$10,548,025	\$10,547,800	13.9%	\$1,284,664
CLH	1,253	\$63,306	\$63,306	\$102,360	\$102,360	61.7%	\$39,054
Total	453,341	\$10,611,438	\$10,609,296	\$11,937,827	\$11,935,635	12.5%	\$1,326,340

Note: The proposed SFY2026 benchmarks represent estimated expenditures only and the actual funds will be set based on appropriated funding from the legislature.

The total fiscal impact to DHS for the state share is \$642,135 after considering third party payments, as displayed in **Table 14**.

Table 14: Total Fiscal Impact with Tier Reallocation (State Share)

Service	State Share	Current Paid/Current Utilization-SFY2025 (Net Other Paid)	Proposed Paid / Projected Tiers SFY2026 (Net Other Paid)	Change SFY2025 to SFY2026 (Net Other Paid)	Difference SFY2025 to SFY2026 (Net Other Paid)
Total	-	\$4,779,551	\$5,421,686	13.4%	\$642,135
Adult Day	48.47%	\$55,972	\$56,086	0.2%	\$114
Adult Day - Title III E	25.00%	\$69,865	\$70,008	0.2%	\$143
Adult Day - Title III B	15.00%	\$133,187	\$133,460	0.2%	\$272
SFC	48.47%	\$4,489,842	\$5,112,519	13.9%	\$622,676
CLH	48.47%	\$30,684	\$49,614	61.7%	\$18,930

Note: The proposed SFY2026 benchmarks represent estimated expenditures only and the actual funds will be set based on appropriated funding from the legislature.

The Tier reallocation combined with the rate increases would create an aggregate fiscal impact of roughly 13.2 percent in state dollars. This figure is an estimate based on the proposed benchmark rates within this report. Depending on budgetary constraints there is the possibility that the full rates may not be able to be implemented. Overall, this rate review was intended to

update DHS of the various cost components and service delivery that should be considered when developing rates to support provider costs.

Appendix A: Data Sources

Table 15 below outlines data sources utilized in the rate review process including the purpose of each source and the data points analyzed.

Table 15: Overview of Data Sources for 2024 LTSS Services Administrative Rate Review

Data Source	Data Points	Description
BLS Employer Costs for Employee Compensation (ECEC) ⁶	CMU201000000000D 2019-2024 supplemental pay as a percentage of wages	The BLS Employer Costs for Employee Compensation (ECEC) data series for the Nursing and Residential Care industry analyzes total compensation by breaking down costs into hourly wage costs as well as expense categories related to mandatory taxes and benefits, insurance, retirement, paid time off, supplemental pay, and other benefits.
Bureau of Labor Statistics (BLS) Current Employment Statistics (CES) ⁷	CEU6562321003 2022-2024 average hourly earnings of all employees, residential intellectual and developmental disability facilities, not seasonally adjusted	The BLS inflation factor was calculated by comparing average hourly earnings of all employees, residential intellectual and developmental disability facilities.
Bureau of Labor Statistics Occupation Employment and Wage Statistics (OEWS) ⁸	May 2023 average and median hourly wages	The BLS wages for a range of occupations that were similar to the direct service professionals and other staff were used as benchmarks to ensure alignment between industry data and provider data.
SFY2023 South Dakota LTSS Provider Cost Reports ("SFY2023 Provider Cost Reports")	SFY2023 average wages and expenses reported by South Dakota LTSS providers	SFY2024 Baseline hourly wages were compared with the FY2023 Cost Reports and with wages in BLS OEWS data. Indirect costs were also reviewed by calculating expenses in the cost reports as a percentage of wages.
2023 South Dakota LTSS Services Provider Survey ("Provider Survey")	SFY2022-23 baseline wages and benefits included in the current rates are based on provider survey reporting	The provider survey was conducted with LTSS providers in July 2023, and it captures provider data starting SFY2022-23.

⁶ Bureau of Labor Statistics, Employer Costs for Employee Compensation. Available online: <https://www.bls.gov/ecec/home.htm>

⁷ Bureau of Labor Statistics, Current Employment Statistics. Available online: <https://www.bls.gov/ces/>

⁸ Bureau of Labor Statistics, Occupation Employment Wage Statistics. Available online: <https://www.bls.gov/oes/>

Data Source	Data Points	Description
South Dakota Medical Expenditure Panel Survey (MEPS) ⁹	2023 average employer portion of health insurance premiums and the percent of full-time employees enrolled in a health insurance plans, health insurance the take-up rate in the South Dakota market	MEPS annually publishes South Dakota health insurance costs including average employer portion of health insurance premiums and percent of full-time employees enrolled in health insurance at establishments that offer health insurance.
Internal Revenue Services (IRS) ¹⁰	IRS Mileage Rate in 2024	The updated IRS mileage rate was used to determine dollar reimbursement per mile.

⁹ Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey. Available online: <https://meps.ahrq.gov/mepsweb/>

¹⁰ Internal Revenue Service (IRS), Standard Mileage Rate. Available online: <https://www.irs.gov/tax-professionals/standard-mileage-rates>

Appendix B: Benchmark Rates

Table 16 below includes proposed SFY2026 benchmark rates for the LTSS Services including the percent difference between the current SFY2025 rates and SFY2026 benchmark rates. The proposed SFY2026 benchmark rates represent estimated rates only and the actual rates will be set based on appropriated funding from the legislature.

Table 16: Proposed SFY2026 Benchmark Rates for LTSS Services

Code	Description	Unit	SFY2025 Legislative Adopted Rate	SFY2026 Benchmark Rate	Percent Change
S5100	Adult Day	Per 15 min	\$3.67	\$3.68	0.2%
T2033	SFC – Base	Per Day	\$79.87	\$94.62	18.5%
T2033U1	SFC – Tier 1	Per Day	\$99.84	\$111.33	11.5%
T2033U2	SFC – Tier 2	Per Day	\$111.82	\$128.05	14.5%
T2033	CLH – Base	Per Day	\$48.98	\$72.46	47.9%
T2033U1	CLH – Tier 1	Per Day	\$61.22	\$90.58	48.0%
T2033U2	CLH – Tier 2	Per Day	\$68.59	\$99.64	45.3%

Appendix C: Proposed Rate Models

This section includes proposed SFY2026 rate models for Adult Day, Structured Family Caregiving, and Community Living Homes. The proposed SFY2026 benchmark rates represent estimated rates only and the actual rates will be set based on appropriated funding from the legislature.

Table 17: Proposed SFY2026 Rate Models for Adult Day Services

Adult Day		
Wages	Hourly Wage - <i>Certified Nursing Assistant</i>	\$21.12
	ERE (% of Wages)	36.84%
	Hourly Compensation	\$28.90
Additional Staff	Hourly Wage - <i>Licensed Practical Nurse</i>	\$25.49
	ERE (% of Wages)	34.57%
	Hourly Compensation	\$34.31
	FTE	0.25
	Hourly Compensation - FTE Adjusted	\$8.58
Billable Time	Billable Time Percentage	75.0%
	Productivity Adjustment	1.33
	Hourly Compensation after Adjustment	\$49.97
Supervision	Hourly Supervisor Wage - <i>Nurse Manager</i>	\$34.13
	Supervisor ERE	31.79%
	Hourly Supervisor Compensation	\$44.98
	Supervision Hours per Week	15
	Supervisor Span of Control	5.0
	Supervision Hours per Staff per Hour	0.08
	Supervision Cost per Staff per Hour	\$3.37
	Hourly Total Compensation	\$53.34

Occupancy	Days Billable	260
	Days Paid	239.2
	Occupancy Adjustment	1.09
	Hourly Total Compensation after Adjustment	\$57.98
Group Size	Number of Clients per Staff	5.5
	Hourly Compensation per Staff per Client	\$10.54
Indirect Costs	Administrative Overhead Percent	25.0%
	Administrative Overhead Hourly Factor	\$2.64
	Program Support	14.5%
	Program Support Hourly Factor	\$1.53
Rate	Hourly Rate	\$14.71
	Per 15 Min Rate	\$3.68

Table 18: Proposed SFY2026 Rate Models for Structured Family Caregiving Services

Structured Family Caregiving		
Staff Wages	FTE Hours Per Year - <i>Case Manager</i>	2080
	Case Manager Caseload	20
	Annual Hours per Participant	104
	Hourly Wage - <i>Case Manager</i>	\$28.36
	ERE (% of Wages)	33.5%
	Annual Case Manager Hours per Participant	\$3,936.53
Supervision	FTE Hours Per Year - <i>Residential Manager</i>	2080
	Number of Clients Per Supervisor	20
	Hours Per Client	104
	Supervisor Hourly Wage	\$49.74
	ERE (% of Wages)	29.2%
	Annual Supervisor Hours per Participant	\$6,684.33
Indirect Costs	Administration Percentage	25.0%
	Administration Total Cost	\$2,655.22
	Program Support Percentage	10.1%
	Program Support Total Cost	\$1,072.71
	Transportation	\$1,072.00
Occupancy	Occupancy	95.0%
	Occupancy Adjuster	1.05
Rate	Annual Total	\$16,232.41
	Provider Rate	\$44.47
Stipend - Base	Daily Stipend	\$50.15
	Days per Year	365

	Annual Stipend	\$18,303.82
	Total Rate - Base	\$94.62
Stipend - Tier 1	Daily Stipend	\$66.86
	Days per Year	365
	Annual Stipend	\$24,405.10
	Total Rate - Tier 1	\$111.33
Stipend - Tier 2	Daily Stipend	\$83.58
	Days per Year	365
	Annual Stipend	\$30,506.37
	Total Rate- Tier 2	\$128.05

Table 19: Proposed SFY2026 Rate Models for Community Living Homes Services

Community Living Homes				
Rate Component	Tier	Base	Tier 1	Tier 2
Wages	Caregiver Hours per Day per Individual	2	2.5	2.75
	Hourly Wage - <i>Caregiver</i>	\$16.72	\$16.72	\$16.72
	ERE (% of Wages)	40.33%	40.33%	40.33%
	Hourly Caregiver Compensation	\$23.46	\$23.46	\$23.46
	<i>Annual Caregiver Cost</i>	\$17,123.68	\$21,404.60	\$23,545.06
Supervision	Annual Supervisor Hours - <i>Residential Manager</i>	0.10	0.13	0.14
	Hourly Supervisor Wage	\$30.43	\$30.43	\$30.43
	ERE (% of Wages)	32.79%	32.79%	32.79%
	Hourly Supervisor Compensation	\$40.41	\$40.41	\$40.41
	<i>Annual Supervisor Cost</i>	\$1,474.86	\$1,843.57	\$2,027.93
	Total Personnel Cost	\$18,598.54	\$23,248.17	\$25,572.99
Indirect Costs	Program Support Percentage	10.1%	10.1%	10.1%
	Annual Program Support Costs	\$1,878.45	\$2,348.07	\$2,582.87
	Administration Percentage	25.0%	25.0%	25.0%
	Annual Administration Costs	\$4,649.63	\$5,812.04	\$6,393.25
Occupancy	Total Annual Cost	\$25,126.63	\$31,408.28	\$34,549.11
	Occupancy Rate	95.0%	95.0%	95.0%
	Occupancy Adjustment	1.05	1.05	1.05
	Adjusted Total Annual Cost	\$26,449.08	\$33,061.35	\$36,367.49
Rate	Per Diem Rate	\$72.46	\$90.58	\$99.64