

# **South Dakota LTSS Meals Services**

## **2024 Rate Review**

**Presented to:**

**State of South Dakota**  
**Department of Human Services**

**Presented by:**

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## A. Executive Summary

In this report, Guidehouse presents the results of the 2024 rate review for the Medicaid, State Meals and Title III Meal programs administered by the Department of Human Services (DHS). Guidehouse reviewed service rates for meals in congregate and home delivered settings.

The main goal of the rate review was to develop State Fiscal Year (SFY) 2026 proposed 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 SFY2025 wages to SFY2026 wages using the SFY2024 Bureau of Labor Statistics (BLS) Current Employment Statistics (CES) metric.
- **Administrative 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.
- **Capital Costs** – These components cover costs associated with kitchen space and equipment needed to prepare meals. Guidehouse recommends maintaining these costs as-is within the rate model.
- **Food Costs** – Updated per person per month food costs consistent with USDA Food Plan guidelines.
- **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 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 rising food costs and wage inflation. The proposed benchmark rates represent a 3.7 percent increase over the statewide rate of \$9.09 recommended by Guidehouse during the 2023 rate study. As SFY2025 rates are provider specific, individual providers will experience varied impacts.

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 related to HOPE Waiver and State Funded meals would require an additional \$36,996—which includes both state and federal dollars—to reimburse providers at

the proposed SFY2026 benchmark rates. This dollar increase is a 6.3 percent increase from the **current provider specific rates** in effect as of July 1, 2024. However, when considering the FMAP the state share would be \$30,247. These dollar estimates include the funds required for home delivered and congregate meals services under DHS. **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**

Program	Current Paid/Current Utilization-SFY25	Proposed Paid / Proposed SFY26	Percent Change SFY25 to SFY26	Difference SFY25 to SFY26 Total	Difference SFY25 to SFY26 State Share
HOPE Waiver and State - Funded Meals	\$584,781	\$621,776	6.3%	\$36,996	\$30,247

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) contracted with Guidehouse Inc. (“Guidehouse”) to conduct annual administrative rate reviews for LTSS Meals services. Guidehouse reviewed the existing SFY2025 rates (“Current Rates”) and developed proposed SFY2026 benchmark rates for the following services:

- Home Delivered Meals
- Congregate Meals
- Title III Meals

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, capital 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 meals 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 3.7 percent average rate increase across services based on updated inflation metrics, transportation mileage costs and food costs. This 3.7 percent average is based on the previously proposed Guidehouse rate of \$9.09. Administrative cost assumptions also increase when wages rise, since these costs are represented as percentages of wages. **Table 2** below summarizes the updated rate components and the average percentage impact on the proposed SFY2026 benchmark rates across services.

**Table 2: Overview of Proposed Rate Component Updates in 2024 Meals Administrative Update**

Rate Component	Proposed Rate Component Updates	Average Percentage Impact on Proposed SFY2026 Benchmark Rates
Food Costs	Update USDA Low-Cost Plan for Males 51-70 from \$281.70 to \$283.90	<+1% impact
Inflation	Adjusted wage inflation for SFY24 to SFY25 from 3.10% to 3.81%. Inflated wages 3.81% from SFY25 to SFY26.	<+4% impact

Rate Component	Proposed Rate Component Updates	Average Percentage Impact on Proposed SFY2026 Benchmark Rates
Transportation Costs	Update IRS mileage from \$0.655 to \$0.670 per mile	<+1% 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. Food Costs

Food Costs are a driving factor in the overall Meal rates. In the 2023 Rate Study, rate component assumptions were developed by first analyzing the information provided within the provider cost wage survey compared with the cost report information. After reviewing the raw food costs reported within the South Dakota-specific information, Guidehouse ultimately used the national raw food costs reported by the United States Department of Agriculture (USDA) Low-Cost Plan for Males 51-70 since these costs were higher and representative of a larger sample size than limiting to the South Dakota Meals providers. The national metric has the additional advantage of following food cost changes year over year more closely allowing for the ability to incorporate food cost updates when needed. USDA publishes raw food costs by gender and age, with varying ranges dependent on those factors. The USDA Low-Cost Plan for Males 51-70 rate of \$283.90 per month is used as the benchmark cost in the rate models below to align with the age range for the primary population receiving the meals. In addition, the males category was selected as they have higher meal costs than females.

Guidehouse investigated the cost differential of food between urban and rural areas of South Dakota based on the rural definition established by the Office of Management and Budget. Based on data collected by Feeding America, a non-profit nationwide network of food banks, meal costs in urban areas of the state are approximately 1.5 percent higher than rural areas within the state. Therefore, there is not a substantial enough geographic difference to warrant a rate differential due to rural or urban designation. In addition, the USDA food costs are national averages. As shown in **Table 3**, South Dakota currently ranks 45<sup>th</sup> in the nation on average food costs<sup>1</sup>, making the US average reported by the USDA a reasonable assumption to cover the differential between urban and rural areas. In comparison to the USDA food cost amount used, the meal cost dollar amounts within the table are averages, which would be inclusive of the low, moderate and liberal food plans.

<sup>1</sup> <https://worldpopulationreview.com/state-rankings/grocery-prices-by-state>

**Table 3: Meal Cost Comparison**

Meal Cost Comparison				
Description	U.S. Highest Average Meal Cost - <i>Hawaii</i>	U.S. Mean Meal Cost	South Dakota Mean Meal Cost	U.S. Lowest Average Meal Cost - <i>New Hampshire</i>
<b>Cost</b>	\$556.76	\$354.50	\$286.23	\$183.00

## C.2. Staff Wages and Inflationary Impacts

Guidehouse maintained SFY2023 baseline wages as obtained from the 2023 Rate Study. The comparison of the existing SFY2023 baseline wages to SFY2023 provider cost reports, and May 2023 BLS Occupational Employment and Wage Statistics (OEWS) wage data for South Dakota revealed that the baseline wages in the current SFY2025 rates align with the provider cost reports and industry standards<sup>2</sup>. Similarly, updated supplemental pay for 2019-2024 revealed consistent trends with the 2018-2023 metric included in the current rates. 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 SFY2023 baseline wages included in the current SFY2025 rates with additional inflation applied. These wages align closely with the BLS wages for the same period. **Table 4** below includes a comparison of current baseline wages and BLS OEWS wages for SFY2023 each inflated to July 2025 for comparison.

<sup>2</sup> Bureau of Labor Statistics, Occupation Employment Wage Statistics. Available online: <https://www.bls.gov/oes/>



**Table 4: BLS Benchmarking for Baseline Hourly Wages**

Wage Comparison				
Model Staff Description	BLS Job Type	Baseline Survey Wage (Based on Survey Data)	July 2025 Baseline Wage (Survey + Inflation + Supplemental Pay)	July 2025 BLS Wage (BLS Wage + Inflation + Supplemental Pay)
Cooks	Cooks, Institution and Cafeteria	\$16.01	\$17.91	\$18.44
Other Food Prep and Delivery Staff	Food Preparation Workers	\$13.84	\$15.48	\$15.81
Supervisor	First-Line Supervisors of Food Preparation and Serving Workers	\$19.47	\$21.78	\$21.67

Additionally, Guidehouse reviewed wage differentials in urban and rural settings. The primary job type of cooks and food preparation workers shows that rural workers are receiving \$0.14 per hour more than their urban counterparts. Alternatively, First-Line Supervisors of Food Preparation and Serving Workers show an opposite trend with urban wages being slightly higher than rural. Similarly, observed when looking at food costs, when averaging the rural and urban wages there is minimal variation, not warranting a geographic rate differential. This is displayed in **Table 5** below.

**Table 5: Rural vs Urban Wage Comparison**

Occupation (SOC code)	Urban		Rural		Average		
	Rapid City	Sioux Falls	East South Dakota Non-Metropolitan Area	West South Dakota Non-Metropolitan Area	Urban Average	Rural Average	Statewide Average
Cooks and Food Preparation Workers	\$14.76	\$15.12	\$14.90	\$15.26	\$14.94	\$15.08	\$15.02
First-Line Supervisors of Food Preparation and Serving Workers	\$19.52	\$20.05	\$19.14	\$18.68	\$19.79	\$18.91	\$19.56

## Supplemental Pay and Cost Trending

The 5-year average for BLS Employer Costs for Employee Compensation (ECEC) supplemental

pay for the Health Care and Social Assistance industry as a percentage of wages increased from 3.62 percent in 2018-2023 to 3.82 percent in 2019-2024<sup>3</sup>. Supplemental pay was adjusted in wage assumptions to reflect this increase.

To obtain SFY2026 wages, Guidehouse reviewed the BLS Current Employment Statistics (CES) data for Nursing and Residential Care Facilities staff<sup>4</sup>. We recommend obtaining the SFY2026 wages by inflating the SFY2024 wages by the BLS CES 2022-2023 average growth rate of 3.81 percent for two years. This allows the use of historical data for the analysis of inflation for the SFY2024-SFY2025 time-period. For SFY2025-SFY2026, inflation is assumed to be stable and wages are moved forward using the same inflation factor. This contrasts with inflating the SFY25 projected wages from the prior rate review since those wages were partially based on projected inflation. 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 6** below includes the cost trending metric used to inflate baseline wages to SFY2026. In general, Guidehouse's recommended methodology is that the state use the most recent year of wages that can be supported by publicly available and/or cost report data as a baseline and inflating those wages to the implementation period. The table below outlines the yearly inflation with total wage inflation compounded.

**Table 6: Annual Cost Trending Metric for Meals Service Wages**

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

## Benchmark Wages

**Table 7** below includes the proposed SFY2026 benchmark wages inclusive of updated baseline wages, supplemental pay, and inflation. The SFY2026 benchmark wages represent a 7.7 percent increase over the SFY2025 wage assumptions included in the current models for each job type.

**Table 7: Proposed SFY2025 Benchmark Wages**

Benchmark Wages	
Model Staff Description	July 2025 Baseline Wage (Survey + Inflation + Supplemental Pay)
Cooks	\$17.91
Other Food Prep and Delivery Staff	\$15.48
Supervisor	\$21.78

<sup>3</sup> Bureau of Labor Statistics, Employer Costs for Employee Compensation. Available online: <https://www.bls.gov/ecec/home.htm>

<sup>4</sup> Bureau of Labor Statistics, Current Employment Statistics. Available online: <https://www.bls.gov/ces/>

## C.3. 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 rates<sup>5</sup>. 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 8** below highlights the comparison between 2022 and 2023 MEPS data.

**Table 8: Health Insurance Costs Comparison**

Metric	SD 2023 Rate Review Benefit Assumptions (2022 MEPS)	2023 MEPS Data Total
Employer Contribution to Health Insurance (Single Coverage)	\$5,964.00	\$6,731.00
Percent of employees enrolled in a health insurance plan that have single coverage	54.1%	57.2%
Employer Contribution to Health Insurance (Family Coverage)	\$17,257.00	\$16,841.00
Percent of employees enrolled in a health insurance plan that have family coverage	30.8%	25.3%
Weighted Employer Contribution to Health Insurance	\$10,060.87	\$9,831.40
Inflation	5.4%	5.2%
Weighted Employer Contribution to Health Insurance - Inflated	\$10,604.16	\$10,342.63
Percent of full-time employees	86.30%	86.1%
Health Insurance Take-Up Rate	53.00%	53.8%

<sup>5</sup> Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey. Available online: <https://meps.ahrq.gov/mepsweb/>

Metric	SD 2023 Rate Review Benefit Assumptions (2022 MEPS)	2023 MEPS Data Total
Monthly	\$883.68	\$861.89
Adjusted Annual	\$4,850.24	\$4,790.89

## C.4. Indirect Costs

The indirect costs factor encompasses several key cost components such as maintenance and administrative employee salaries and wages, and non-payroll administrative costs (office supplies, telephone, liability insurance, memberships/dues) expressed as a percentage of wages. The Meals model developed isolated specific indirect costs to be able to update individual components of indirect cost. However, a 15 percent indirect cost percentage is applied to account for additional overhead costs such as supplies and administrative and program support staff. Overhead costs, not inclusive of the raw food, accounts for roughly 26 percent of the final proposed meal rate.

It is important to note that although we are not recommending updates to the indirect cost factor, the indirect costs as a component of the overall rate increase with increases in benchmark wages since they are expressed as a percentage of the wages.

## C.5. Meal Delivery Costs

Guidehouse recommends updating the transportation cost assumptions in the rate models by incorporating the most recent IRS mileage reimbursement rate. The IRS mileage rate increased to \$0.67 per mile in 2024 from \$0.655 per mile in 2023. The average miles are maintained at 1,261 miles per day. **Table 9** below highlights the average increase in annual transportation costs by 2.2 percent from \$826 to \$845.

**Table 9: Benchmark Transportation Costs for All Services**

Delivery Rate Component	Total
Average Miles Per Day	1,261.8
2023 Cost Per Day (\$0.655 per mile)	\$826.44
2024 Cost Per Day (\$0.670 per mile)	\$845.37

## C.6. Meal Rate Build-Up

None of South Dakota's peer states currently offers provider-specific meal rates. Based on the

current methodology, provider-specific rates reflect provider costs from spending in previous years, without checks to monitor the reasonableness of changes in expenditures. Statewide rates, on the other hand, tend to incentivize providers to find efficiencies in delivery in order to remain within the bounds of the average cost of service provision. Provider-specific rates are typically due to differences in the needs of the client population served and the need for “acuity adjustment” in provider costs. Additionally, dietary needs for the client population are relatively invariant and do not justify differences in meal costs. Guidehouse’s recommendation is to consider transitioning to a statewide rate to encourage consistent cost and allow the State the ability to better index costs to inflation adjust individual rate components accordingly into the future. Instead of relying on historical costs reported in cost reports the State can adjust components such as food costs, inflation and wages of staff based on labor market conditions. This allows DHS to present the inclusion of data driven trends and leverage national trends during budget discussions. The rate build-up in **Table 10** below reflects a statewide rate.

**Table 10: HOPE Waiver and State Plan Meals Model**

Meal Rate Components	Component Cost
<b>Service Characteristics</b>	
Unit of Service	1 Meal
<b>Food Costs</b>	
Per Person Per Month Food Costs	\$283.90
Per Person Annual Food Costs	\$3,406.80
Total Individual Meals per Year	1095.00
Cost per Meal	\$3.11
Meals Prepared per Day per Kitchen	721.00
<b>Daily Food Costs</b>	<b>\$2,243.20</b>
<b>Wage Calculation</b>	
Cooks	\$17.91
Number of Cooks	4.00
Total Daily Wages	\$573.16
ERE (as Percent of Wages)	39.73%
Total Daily Compensation	\$800.89
Other Food Prep and Delivery Staff	\$15.48
Number of Other Staff	10.00
Total Daily Wages	\$1,238.69
ERE (as Percent of Wages)	42.23%
Total Daily Compensation	\$1,761.82
Hours per Day	8.00
<b>Daily Staff Compensation (Wages + ERE)</b>	<b>\$2,562.70</b>
<b>Supervision Cost</b>	
Supervisor Wage	\$21.78
Supervisor Benefits	36.84%

Meal Rate Components	Component Cost
Hourly Supervisor Compensation	\$29.81
Hours per Day	8.00
<i>Daily Supervisor Compensation</i>	<i>\$238.46</i>
<b>Capital Costs</b>	
Square Feet per Kitchen	500.00
Cost per Square Feet - Annually	\$18.00
Total Building and Equipment Costs	\$9,000.00
<i>Daily Capital Costs</i>	<i>\$24.66</i>
<b>Delivery Costs</b>	
Number of Miles per Day	1261.8
IRS Mileage Rate	\$0.670
<i>Daily Mileage Costs</i>	<i>\$845.37</i>
<i>Total Daily Costs</i>	<i>\$5,914.54</i>
<i>Total Daily Meals</i>	<i>721.00</i>
<i>Meal Cost</i>	<i>\$8.20</i>
<i>Indirect Costs-Additional</i>	<i>15.0%</i>
<i>Indirect Costs per Meal-Additional</i>	<i>\$1.23</i>
<b>Total</b>	<b>\$9.43</b>

### C.7. Title III Rate Build-Up

The proposed rate calculation for Title III meal rates is the same as the HOPE waiver because the cost of a meal does not change depending on the funding source. The cost of the food and the salaries to pay staff remain unchanged. However, the financing mechanisms used for Title III are different than Medicaid programs like the HOPE waiver. Although Title III also draws on a combination of state and federal funding, unlike Medicaid, federal funding for Title III is fixed and does not vary with changes in utilization or cost. Another major difference between these programs is that the cost of the Title III meal is divided among donations, a 10 percent provider cash match contribution, Nutrition Services Incentive Program (NSIP) funding and 90 percent state funding, and federal grant dollars whereas with HOPE waiver these additional financial sources are not required. The 10/90 percent split is determined by first subtracting the donations and NSIP dollars from the cost-based rate. The 10 percent provider portion is based on the cost-based rate, net of donations and NSIP. The 90 percent state portion is based on this same cost-based rate, net of donations and NSIP. Therefore, the cost of the meal does not change but there are additional funding considerations that makeup the rate. The Title III rate build-up is shown in **Table 11** below.

**Table 11: Title III Rate Build-Up**

Rate Build Up	
Cost Based Rate	\$9.43
Average Participant Donations	\$3.28
Cost Based Rate-Net Donations	\$6.15
NSIP Per Meal (Based on 12 months of Utilization)	\$0.46
Cost Based-Net NSIP	\$5.69
10% Share from Providers	\$0.57
90% Share from State	\$5.12
Proposed Rate (NSIP + State Share)	\$5.58

The figures presented in **Table 12** below include potential rates that are less than the recommended benchmark. These are presented for the benefit of the state when addressing budgetary concerns. The fiscal implications of the 100 percent benchmark rate as well as these potential reduced rates will be discussed in **Section D.2: Title III Funding**.

**Table 12: Rates less than 100% Proposed Benchmark**

Rates less than 100% Benchmark	
100% of Benchmark	\$5.58
95% of Benchmark	\$5.33
90% of Benchmark	\$5.07
88% of Benchmark	\$4.97
85% of Benchmark	\$4.81
75% of Benchmark	\$4.30

Donation information was collected within cost reports collected during the 2023 rate study and

analyzed over the previous two years to look at the trend in donation patterns. Additionally, average donations were included in a report distributed by the Administration for Community Living (ACL). It is important to consider that these donation amounts are averages and can vary geographically and between congregate and home delivery settings. The weighted average was calculated across all providers that fell within 2.5 standard deviations of the mean. One provider was excluded due to the variation in donations which resulted in an average donation amount of \$3.28. However, if all providers were included the weighted average donation amount is \$2.64, just short of the ACL reported average. **Table 13** displays average donation amounts per meal and the comparison to the information reported in South Dakota's FY21 cost reports and the donation amount reported in the ACL report.

**Table 13: Title III Average Donation Amounts Per Meal**

Source	Average Donation	Percent Difference from FY22 Cost Report
South Dakota FY22 Cost Reports	\$3.28	-
South Dakota FY21 Cost Reports	\$3.14	-4.3%
ACL Report	\$2.68	-18.3%

Donation amounts are not guaranteed, and a meal cannot be denied if a participant does not provide a donation. Therefore, it is an important component to the final rate determination, but funding is a critical piece when ensuring the aging population can continue to receive Meals within the community. **Table 14** shows the current funding through Title III, including state and federal dollars, combined with Nutrition Services Incentive Program (NSIP) of the Older American Act (OAA) and how that translated to a budget-neutral rate considering the total Meals served in the previous year.

**Table 14: Title III Meals Budget-Neutral Rate**

Total Title III (Federal)	NSIP	15% State Share	Total Title III Meals Served	Budget-Neutral Rate (Funding/Meals)
\$4,626,775	\$759,237	\$694,016	1,648,238	\$3.69

## D. Fiscal Impact

### D.1. HOPE Waiver and State Funded Meals Fiscal Impact

Comparisons between current rates and the benchmarks developed by Guidehouse included



only the reimbursement rate included in the DHS effective fee schedules, without 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. For the purpose of fiscal impact calculations, no third-party liabilities or rate adjustments were considered. 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 SFY 2026 FMAPs for meal services are highlighted below:

- Meals covered under the HOPE Waiver receive a 48.47 percent federal match.
- State funded services receive no FMAP.

**Table 15** shows the fiscal impact of funding rate changes to the full rate benchmark for meals services under the HOPE Waiver. 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 SFY24 utilization paid at SFY25 published rates. Analysis suggests the system would require an additional \$13,096 for HOPE Waiver meals which includes both state and federal dollars—to reimburse providers at the benchmark rates recommended by Guidehouse. The rate changes create an aggregate fiscal impact of roughly 2.7 percent across populations and services.

**Table 15: HOPE Waiver Meals Fiscal Impact (Federal + State Share)**

Service	Current Rate SFY25	SFY26 Benchmark Rate	Units	Current Utilization Paid at SFY25 Published Rate	Current Utilization Paid at SFY26 Benchmark	Percent Change SFY25 to SFY26	Difference SFY25 to SFY26
Meals - HOPE Waiver	Variable by Provider	\$9.43	51,961	\$476,896	\$489,992	2.7%	\$13,096

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

Additionally, some meals are provided by the state outside of the HOPE Waiver. The collective impact of these programs is a price tag of \$30,247 for the State of South Dakota, assuming full funding of the benchmark rates. **Table 16** below details the state fiscal impact across both services, with expenditure breakdowns by population.

**Table 16: Total Fiscal Impact (State Share)**

Service	State Share	Units	Current Utilization Paid at SFY25 Published Rate	Current Utilization Paid at SFY26 Benchmark	Percent Change SFY25 to SFY26	Difference SFY25 to SFY26
Meals-HOPE Waiver	48.47%	51,961	\$231,151	\$237,499	2.7%	\$6,348
Meals-State Funded	100.00%	13,975	\$107,885	\$131,784	22.2%	\$23,900
<b>Total</b>	<b>-</b>	<b>65,936</b>	<b>\$339,036</b>	<b>\$369,283</b>	<b>13.1%</b>	<b>\$30,247</b>

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

## D.2. Title III Funding Considerations

Title III funding continues to be a challenge for states across the country. Title III funding historically was not intended to be a 100% payer source but was established as a supplemental program. As the eligible population continues to grow and to age, the ability to increase this additional funding source is a key area of interest nationwide. Historically, additional state-only funding was utilized to maintain the program under increased strain, but DHS will need to consider potential obstacles and the cost-benefit of pursuing opportunities. **Table 17** below details the potential impacts of the Title III meals rate recommendations.

**Table 17: Title III Meals Funding Considerations**

Title III Meals Funding Considerations	
Total Title III (Federal Only)	\$4,626,775
NSIP	\$759,237
Total Title III Meals Served	1,648,238
Rate Based on Model and Assumptions	\$5.58
Total Spend Updated Rate-Current Utilization	\$9,198,921
State Share	-\$3,812,909

Based on current utilization Federal grant funding combined with NSIP dollars is not sufficient to cover the proposed meal rate. Therefore, to provide the same number of meals under the proposed cost-based rate the state share is larger than the 15% required for the Title III Federal funds. **Table 18** below shows possible funding obligations at rates less than 100% of the benchmark rate. These are provided as guidance for the state to assess a rate level that is fiscally responsible for the state while being sustainable for providers.

**Table 18: Alternative Funding Impacts**

Alternative Funding Impacts	
100% of Benchmark	\$9,198,921
State Share	-\$3,812,909
95% of Benchmark	\$8,776,937
State Share	-\$3,390,925
90% of Benchmark	\$8,354,953
State Share	-\$2,968,941
88% of Benchmark	\$7,932,968
State Share	-\$2,546,956
85% of Benchmark	\$7,932,968
State Share	-\$2,546,956
75% of Benchmark	\$7,089,000
State Share	-\$1,702,988

These rate changes create an aggregate fiscal impact of roughly 13.1 percent for non-Title III Meals services. However, the figures currently include budget-neutral assumptions for Title III. 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 study was intended to inform 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 19** below outlines data sources utilized in the rate review process including the purpose of each source and the data points analyzed.

**Table 19: Overview of Data Sources for 2024 HOPE Waiver and State Plan Meals Administrative Rate Review**

Data Source	Data Points	Description
BLS Employer Costs for Employee Compensation (ECEC) <sup>6</sup>	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) <sup>7</sup>	CEU6562321003 SFY2022-SFY2023 average hourly earnings of all employees, residential intellectual and developmental disability facilities, not seasonally adjusted	The BLS inflation factor was calculated by comparing SFY2022 and SFY2023 average hourly earnings of all employees, residential intellectual and developmental disability facilities.
Bureau of Labor Statistics Occupation Employment and Wage Statistics (OEWS) <sup>8</sup>	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 Meals Provider Cost Reports ("SFY2022 Provider Cost Reports")	SFY2023 average wages and expenses reported by South Dakota meals providers	Average hourly wages were determined using the FY2022 Cost Reports and were compared with wages in SFY2024 rates and BLS OEWS wages. Indirect costs were also reviewing by calculating expenses in the cost reports as a percentage of wages.

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

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

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

Data Source	Data Points	Description
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.
South Dakota Medical Expenditure Panel Survey (MEPS) <sup>9</sup>	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) <sup>10</sup>	IRS Mileage Rate in 2024	The updated IRS mileage rate was used to determine dollar reimbursement per mile.

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

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

## Appendix B: Benchmark Rates

**Table 20** below includes proposed SFY2026 benchmark rates for the HOPE Waiver and State Funded meals including the percent difference between the Guidehouse recommended 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 20: Proposed SFY2026 Benchmark Rates for HOPE Waiver and State Funded Meals Services**

Service	SFY2025 Guidehouse Recommended Benchmark Statewide Rate	SFY2026 Guidehouse Recommended Benchmark Statewide Rate	Percent Change
HOPE Waiver and State Funded Meals	\$9.09	\$9.43	3.74%