South Dakota Department of Social Services

DEPARTMENT OF SOCIAL SERVICES
DIVISION OF MEDICAL SERVICES
700 GOVERNORS DRIVE
PIERRE, SD 57501-2291
PHONE: 605.773.3495
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November 23, 2026

RE: South Dakota Medicaid State Plan Amendment # SD-27-0002

The South Dakota Department of Social Services intends to make changes to the South Dakota Medicaid State Plan concerning the establishment of a Medicaid Recovery Audit Contractor Program. The proposed State Plan Amendment (SPA) has an effective date of June 1, 2027.

Pursuant to Section 1902(a)(42)(B)(i) of the Social Security Act, the State is required to establish a program under which it will contract with one or more Recovery Audit Contractors (RACs) to audit payments to Medicaid providers. These Medicaid RAC audits are utilized to identify and recover provider overpayments, as well as identify provider underpayments. The proposed amendment seeks an extension of a previous exemption ending May 31, 2027. The State already maintains a very low rate of errors in Medicaid payments. For that reason, the State is seeking to extend the exemption through May 31, 2029. The proposed amendment replaces Page 36b to Section 4.5. The department estimates there will be no fiscal impact associated with this SPA.

The SPAs are available to view on the department's website at http://dss.sd.gov/medicaid/medicaidstateplan.aspx. Copies of the proposed SPA pages are also available at the Department of Social Services, Division of Medical Services. Written requests for a copy of these changes, and corresponding comments, may be emailed to MedicaidSPA@state.sd.us or sent to:

DIVISION OF MEDICAL SERVICES
DEPARTMENT OF SOCIAL SERVICES
700 GOVERNORS DRIVE
PIERRE, SD 57501-2291

The public comment period will start November 23, 2026, and end December 23, 2026.

Sincerely,

Matt Ballard

Matthew Ballard
Deputy Director
Division of Medical Services
South Dakota Department of Social Services

CC: Brenda Tidball-Zeltinger, Interim Cabinet Secretary
Heather Petermann, Director

PUBLIC NOTICE
South Dakota Medicaid Program

Notice is hereby given that the South Dakota Department of Social Services intends to make changes to the South Dakota Medicaid State Plan concerning the establishment of a Medicaid Recovery Audit Contractor Program. Pursuant to Section 1902(a)(42)(B)(i) of the Social Security Act, the State is required to establish a program under which it will contract with one or more recovery audit contractors to identify underpayments and overpayments of Medicaid claims.

The proposed amendment seeks an extension of a previous exception ending May 31, 2027. The State already maintains a very low rate of errors in Medicaid payments and estimates amounts to be recovered would not be sufficient to attract bidding attention from vendors. For these reasons, the State is seeking a new request for an exception to be in effect through May 31, 2029. The proposed amendment supersedes Page 36b in Section 4.5. The proposed State Plan Amendment (SPA) has an effective date of June 1, 2027.

The department estimates there will be no fiscal impact associated with this SPA in Federal Fiscal Year 2027 and Federal Fiscal Year 2028.

The SPA is available to view on the department's website at http://dss.sd.gov/medicaid/medicaidstateplan.aspx. Copies of the proposed SPA pages are also available at the Department of Social Services, Division of Medical Services. Written requests for a copy of these changes, and corresponding comments, may be emailed to MedicaidSPA@state.sd.us or sent to:

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
MEDICAL ASSISTANCE PROGRAM
State/Territory: SOUTH DAKOTA

SECTION 4. GENERAL PROGRAM ADMINISTRATION

Citation	4.5b Medicaid Recovery Audit Contractor Program
Section 1902(a)(42)(b)(i) of the Social Security Act	_____ The State has established a program under which it will contract with one or more recovery audit contractors (RACs) for the purpose of identifying underpayments and overpayments of Medicaid claims under the State plan and under any waiver of the State plan.
	__X__ The State is seeking an extension to the exception to establishing such program for the following reasons: (1) The State maintains a low rate of errors in Medicaid payments, as evidenced by the most recent PERM review; and (2) The State's estimate of the potential amount of payment errors to be recovered is low based in part on relatively low Medicaid enrollment and associated expenditures such that there would not be enough revenue generated to fund an adequate enough contingency fee to attract sufficient bidding attention from vendors; and (3) In fiscal year 2026 the State had total Medicaid and CHIP expenditures of $1,971 million. For this period the State had an average monthly enrollment of 142,162 eligible recipients and a total of 175,507 eligible recipients during the fiscal year. (4) The state requests an extension of the RAC program exception beginning June 1, 2025, through May 30, 2027.
	_____ The State Medicaid agency has contracts of the type(s) listed in Section 1902(a)(42)(B)(ii)(I) of the Act. All contracts meet the requirements of the statute. RACs are consistent with the statute.