



# SOUTH DAKOTA

**RURAL HEALTH** TRANSFORMATION

[ruralhealthtransformation.sd.gov](http://ruralhealthtransformation.sd.gov)

# Background & Legislative Authority

- Established through federal legislation supporting rural health system redesign
- South Dakota participation authorized beginning January 2026
- Program goal: strengthen rural health access, workforce, and sustainability
- Funding Authority from SD Legislature: HB 1044 signed on Jan. 29, 2026



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# Federal Allocation and Funding Authority

- Total funding: **\$50 billion** over 5 fiscal years (FY 2026–2030)
- Annual Distribution: \$10 billion per year
  - 50% distributed equally among all approved states.
  - 50% allocated by CMS based on criteria such as rural population share, number of rural facilities, hospital stresses, and other state-level factors.
- SD award for FY 2026: approximately \$189.4M
- Multi-year investment to support transformation across rural and frontier communities



# South Dakota Rural Landscape

- 64 of 66 counties classified as rural; many frontier-level
- Tribal nations and high-poverty regions facing persistent disparities
- Barriers: long distances to care, limited specialty access
- Gaps: maternity care deserts, mental health workforce shortages
- Elevated chronic disease rates in several regions

## South Dakota Rural Counties



SOURCE: South Dakota Department of Health Office of Rural Health



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# Strategic Goals & Themes

The program is guided by five overarching strategic goals:



**Make rural America healthy again** – promote prevention, address root causes, chronic care



**Sustainable access** – strengthen rural providers, networks, coordination



**Workforce development** – recruit, retain, expand provider capacity in rural areas



**Innovative care models** – encourage flexible care, new payment models, better coordination



**Tech innovation** – support telehealth, data sharing, cybersecurity, advanced tools



# Transformation Strategy Overview

## South Dakota Focus Areas:



1. Connect Technology and Data for a Healthier South Dakota



2. Advance the Rural Workforce



3. Keep Healthcare Access Local and Strong



4. Transform Systems for Sustainability





# Transform Systems for Sustainability

- Data and technology investment
- Recruitment incentives and retention strategies for clinicians and support staff
- Integrated behavioral health models
- Regional EMS system improvements
- Grants to strengthen hospitals, clinics, and local access points
- Maternal and infant health initiatives
- Chronic disease management and community-based care supports





# Transform Reimbursement Systems for Sustainability

## Current issues:

- Increasing costs for medical care without comparable increase in quality of care
- Despite increasing costs, increasing financial instability in healthcare providers (especially rural and independent)
- Primary care has significant uncompensated tasks including portal messages, phone calls, etc.
- Literally impossible for primary care to do all tasks for all patients
- Primary care investments are unique in their ability to lead to decreased costs in other spaces, especially medically unnecessary care





# Primary Accountable Care Transformation (PACT) model:

- Replaces primary care E&M billing with a *Prospective Primary Care Payment*, a predictable monthly investment in each patient that allows physicians to focus on high-value care rather than visit volume
- Uses year-end primary care Quality/HEDIS measures to calculate quality payments that reward outcomes instead of processes
- Creates shared case management infrastructure option to support rural clinics who cannot support this resource alone
- Creates structure for patient-directed quality goals to encourage engagement and wellness
- Builds on inaugural case management/social worker workshop Fall 2025
- Leverages new tools to support population health, case management, etc.





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