



Initiative: Medicaid Primary Accountable Care Transformation (PACT)

Overview

PACT is an alternative payment model that shifts the focus from fee-for-service volume to value-based care while also investing in case management and population health. The PACT model replaces primary care E&M billing with a monthly Prospective Primary Care Payment, a more flexible and reliable way for primary care practices to tailor their care delivery to meet patient's needs and adds yearly value-based payments to incentivize both providers and patients for outcomes. This promotes shared accountability for appropriate utilization and bends the curve of steeply rising health care costs by emphasizing preventative health.

Key Activities

- Provider Infrastructure Support:** Offer transformation grants for care coordination, care managers, population health tools, and technology enhancements.
- Enhanced Payments for Quality and Quality Payment System:** Incorporate annual quality incentive and deploy a vendor-supported platform for real-time performance dashboards, HEDIS tracking, and year-end bonus calculations.
- Data Analytics Infrastructure:** Implement population health tools to identify high-risk patients, track care gaps, and enable reporting and data exchange across value-based arrangements.
- Payer Alignment Coordination:** Align payment methodologies across Medicare, commercial insurers, and tribal health programs, including systems coordination for dually eligible populations.
- Practice Support & Training:** Provide technical assistance on care coordination, chronic disease management, behavioral health integration, and value-based operations.

Anticipated Timeline for Implementation

2026: Planning and Design

- Secure technical assistance and actuarial support for PMPM/sub-capitation; begin methodology review
- Model development and design, relying on input from provider workgroups
- Make grants available to providers for infrastructure investment, IT upgrades, and to procure care coordination & population health tools

2027: Pilots and Preparation

- Enhance quality payments made in support of providers that have demonstrated readiness
- Finalize methodology and rate-setting
- Policy and regulatory prep; state plan and waiver submissions to CMS
- Begin transition of current SD Medicaid's existing primary care physician (PCP) program
- Launch readiness: begin provider recruitment/enrollment and training

January 1, 2028: PACT Model Launch

- Learn with providers: identify common challenges, develop solutions 2029 – 2030: Broaden participation
- Continuous improvement of quality metric reporting and analytics
- Inclusion of dual populations, multi-payer alignment

Partners & Stakeholders

Medicaid-Enrolled Primary Care Clinics, RHCs, FQHCs, Tribal Partners, Medicaid Recipients, Other Payers in South Dakota, Professional Medical and Quality Improvement organizations.

Funding and Sustainability

- A total of \$62,735,000 over five years in grant funding is budgeted for this initiative. This one-time grant funding will be used to create the model, assist in the provider readiness and transition, and accelerate focus on quality and outcomes. Implementation of tools and system upgrades will be maintained through the restructured capitation payments (providers) or system funding at enhanced federal match rates (state infrastructure).
- Approximately \$73 M is currently spent by SD Medicaid on primary care services as part of the existing allocated Medicaid budget. The new model changes the way those same dollars are paid. Sub-capitation amounts will be established at levels that can be sustained without grant funding.
- Investing in primary care has been demonstrated to provide long-term gains in overall health care costs over time. Increased investment in primary care comes through redirecting savings from improved coordination and preventative health behaviors that reduce unnecessary or extended hospitalizations and emergency visits. These savings will be reinvested into the continuation of the quality bonus payments.
- Creating this alternative payment model in primary care promotes predictable income for providers decoupled from fee-for-service volume, which allows for a fundamental transformation of the workflow. Physicians will be able to create workable change when creating a supported team-based model that allows clinicians to stay in their communities and care for patients locally.
- Involving other payers and aligning their payment methodology to PACT also provides improved sustainability of true transformation in primary care since providers would achieve critical mass of contracts/payers to sustain value-based methodology in practice.
- The sustainability of case management and team-based primary care will also be supported through the annual Medicaid case management/social work workshop that was launched in October 2025 and will be used in future years to share best practices across the state regardless of provider affiliation.

Why This Matters

Transforming the payment methodology for primary care in South Dakota will ultimately lead to financial sustainability for providers, better outcomes for patients, and alignment of outcomes and payment. It supports workforce retention for primary care physicians and clinical care teams working in rural areas, allowing them to focus on patient health and wellbeing rather than whether an interaction is billable under fee-for-service. This model will also help the South Dakota Medicaid program improve predictability of primary care expenditures and decrease utilization/costs of unnecessary and costly services such as excessive ER visits.