



Andy Beshear
GOVERNOR

CABINET FOR HEALTH AND FAMILY SERVICES
DEPARTMENT FOR MEDICAID SERVICES

275 East Main Street, 6W-A
Frankfort, Kentucky 40621

@chfsky | CHFS.KY.GOV

Steven Stack, MD
SECRETARY

Lisa D. Lee
COMMISSIONER

TO: Interim Joint Committee on Appropriations and Revenue

FROM: Lisa D. Lee, Commissioner *Lisa D. Lee*
Department for Medicaid Services

DATE: June 18, 2026

RE: Medicaid Budget Impact on Provider Reimbursement

Pursuant to the authority provided in House Bill 500 (HB 500), the Cabinet for Health and Family Services (CHFS) is providing written notice of action necessary to address a projected Medicaid budget shortfall for State Fiscal Year 2027.

HB 500, passed in the 2026 Kentucky General Assembly Session, did not provide sufficient funding for the Department to continue operating the Medicaid program at current service and reimbursement levels. As a result, the Department for Medicaid Services (DMS) must take the necessary action to align Medicaid program expenditures with the funding appropriated by the Kentucky General Assembly. Consistent with the provisions of the bill and to avoid a budget deficit within the Medicaid program, CHFS intends to implement a 4% reduction in Medicaid provider reimbursement rates effective August 1, 2026, or the earliest administratively feasible date thereafter.

The anticipated impacted provider types are listed on the attached sheet.

The projected deficit has been reviewed with the Office of the State Budget Director for confirmation and approval as required under HB 500. The Cabinet will continue to closely monitor Medicaid expenditures and program trends and will evaluate whether additional adjustments are necessary to maintain fiscal stability within the program.

cc: John T. Hicks, State Budget Director
Josh Hardesty, CHFS Legislative Director
Steve Bechtel, Medicaid Chief Financial Officer