

**KENTUCKY MEDICAID PROGRAM
PUBLIC NOTICE**

February 20, 2026

The Cabinet for Health and Family Services, Department for Medicaid Services (the Department), in accordance with 42 CFR 447.205, hereby provides public notice of changes to its school-based services program administration and reimbursement methodology under the State Plan, with a proposed effective date of July 1, 2026.

This State Plan Amendment (SPA) does not change the scope of covered services but clarifies provider eligibility and improves the accuracy and completeness of cost reporting under the State Plan. These changes align with CMS's 2023 guidance, "Delivering Services in School-Based Settings: A Comprehensive Guide to Medicaid Services and Administrative Claiming."

This amendment makes clear that school counselors are a qualified provider type to support the delivery of covered services in school-based settings. In addition, this SPA revises the cost reporting and cost settlement methodology for school-based service providers to allow for the inclusion of summer months, which ensures that allowable costs incurred throughout the full year, including periods outside the traditional academic calendar, are appropriately captured and reimbursed.

Fiscal Impact:

The Department for Medicaid Services estimates the total fiscal impact will be \$0.00.

Public Comments:

A copy of this notice is available for public review at the Department for Medicaid Services at the address listed below. Comments or inquiries may be emailed within thirty (30) days to:

Division of Healthcare Policy

DMSSPAS@KY.GOV



Andy Beshear
GOVERNOR

CABINET FOR HEALTH AND FAMILY SERVICES
DEPARTMENT FOR MEDICAID SERVICES

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Lisa Lee
COMMISSIONER

February 25, 2026

Courtney Miller, Director
Center for Medicaid & CHIP Services
Medicaid & CHIP Operations Group
Division of Program Operations
[601 E. 12th St., Room 355](#)
Kansas City, Missouri 64106

RE: State Plan Amendment KY 26-0001

Dear Ms. Miller:

Please find attached Kentucky SPA 26-0001. The Kentucky Department for Medicaid Services is requesting approval from CMS for changes to its school-based services program administration and reimbursement methodology under the State Plan, with a proposed effective date of July 1, 2026.

This amendment does not change the scope of covered services but clarifies provider eligibility and improves the accuracy and completeness of cost reporting under the State Plan.

This SPA makes clear that school counselors are a qualified provider type to support the delivery of covered services in school-based settings. In addition, this SPA revises the cost reporting and cost settlement methodology for school-based service providers to allow for the inclusion of summer months. This change ensures that allowable costs incurred throughout the full year, including periods outside the traditional academic calendar, are appropriately captured and reimbursed.

If you should have any questions, please contact Daryl Osborne at dosborne@ky.gov, Amanda Trent at amanda.trent@ky.gov and Erin Bickers at erin.bickers@ky.gov.

Sincerely,

Lisa Lee, Commissioner

Standard Funding Questions

The following questions are being asked and should be answered in relation to all payments made to all providers under Attachment 4.19-A of your State plan.

1. Section 1903(a)(1) provides that Federal matching funds are only available for expenditures made by States for services under the approved State plan. Do providers receive and retain the total Medicaid expenditures claimed by the State (includes normal per diem, supplemental, enhanced payments, other) or is any portion of the payments returned to the State, local governmental entity, or any other intermediary organization? If providers are required to return any portion of payments, please provide a full description of the repayment process. Include in your response a full description of the methodology for the return of any of the payments, a complete listing of providers that return a portion of their payments, the amount or percentage of payments that are returned and the disposition and use of the funds once they are returned to the State (i.e., general fund, medical services account, etc.)

DMS response – The providers receive and retain the total Medicaid expenditures for all eligible expenses.

2. Section 1902(a)(2) provides that the lack of adequate funds from local sources will not result in lowering the amount, duration, scope, or quality of care and services available under the plan. Please describe how the state share of each type of Medicaid payment (normal per diem, supplemental, enhanced, other) is funded. Please describe whether the state share is from appropriations from the legislature to the Medicaid agency, through intergovernmental transfer agreements (IGTs), certified public expenditures (CPEs), provider taxes, or any other mechanism used by the state to provide state share. Note that, if the appropriation is not to the Medicaid agency, the source of the state share would necessarily be derived through either an IGT or CPE. In this case, please identify the agency to which the funds are appropriated. Please provide an estimate of total expenditure and State share amounts for each type of Medicaid payment. If any of the non-federal share is being provided using IGTs or CPEs, please fully describe the matching arrangement including when the state agency receives the transferred amounts from the local government entity transferring the funds. If CPEs are used, please describe the methodology used by the state to verify that the total expenditures being certified are eligible for Federal matching funds in accordance with 42 CFR 433.51(b). For any payment funded by CPEs or IGTs, please provide the following:
 - (i) a complete list of the names of entities transferring or certifying funds;
 - (ii) the operational nature of the entity (state, county, city, other);
 - (iii) the total amounts transferred or certified by each entity;
 - (iv) clarify whether the certifying or transferring entity has general taxing authority; and,

- (v) whether the certifying or transferring entity received appropriations (identify level of appropriations).

DMS Response – The non-federal share of all expenditures for which Kentucky requests Federal matching funds are obtained from appropriations from the Kentucky General Assembly and provider assessment fees.

- 3. Section 1902(a)(30) requires that payments for services be consistent with efficiency, economy, and quality of care. Section 1903(a)(1) provides for Federal financial participation to States for expenditures for services under an approved State plan. If supplemental or enhanced payments are made, please provide the total amount for each type of supplemental or enhanced payment made to each provider type.

DMS Response – Supplemental payments are not made to any provider impacted by the rate change reflected in this SPA.

- 4. Please provide a detailed description of the methodology used by the state to estimate the upper payment limit (UPL) for each class of providers (State owned or operated, non-state government owned or operated, and privately owned or operated). Please provide a current (i.e. applicable to the current rate year) UPL demonstration.

DMS Response – N/A

- 5. Does any governmental provider receive payments that in the aggregate (normal per diem, supplemental, enhanced, other) exceed their reasonable costs of providing services? If payments exceed the cost of services, do you recoup the excess and return the Federal share of the excess to CMS on the quarterly expenditure report?

DMS Response – No. If payments were to exceed cost, unless otherwise approved, the federal share would be returned.


**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER _____	2. STATE _____
3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT XIX XXI	
4. PROPOSED EFFECTIVE DATE	
5. FEDERAL STATUTE/REGULATION CITATION	6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars) a. FFY _____ \$ _____ b. FFY _____ \$ _____
7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT	8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)
9. SUBJECT OF AMENDMENT	

10. GOVERNOR'S REVIEW (Check One)

GOVERNOR'S OFFICE REPORTED NO COMMENT
COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

OTHER, AS SPECIFIED:

11. SIGNATURE OF STATE AGENCY OFFICIAL 	15. RETURN TO
12. TYPED NAME	
13. TITLE	
14. DATE SUBMITTED	

FOR CMS USE ONLY

16. DATE RECEIVED	17. DATE APPROVED
PLAN APPROVED - ONE COPY ATTACHED	
18. EFFECTIVE DATE OF APPROVED MATERIAL	19. SIGNATURE OF APPROVING OFFICIAL
20. TYPED NAME OF APPROVING OFFICIAL	21. TITLE OF APPROVING OFFICIAL

22. REMARKS

Treatment services

Service may include one or more of the following as appropriate:

Cognitive-behavioral therapy, rational-emotive therapy, family therapy, individual interactive psychotherapy using play equipment, physical devices, language interpreter or other mechanisms of non verbal communication and sensory integrative therapy

Qualifications of Providers:

Minimum qualifications for providing services are licensure as follows:

1. An individual currently licensed by the Kentucky Board of Examiners of Psychology as a licensed psychologist, licensed psychological practitioner, certified psychologist with autonomous functioning, certified psychologist, or licensed psychological associate;
2. A licensed clinical social worker currently licensed by the Kentucky Board of Social Work;
3. A licensed social worker currently licensed by the Kentucky Board of Social Work;
4. A certified social worker currently licensed by the Kentucky Board of Social Work;
5. An advanced registered nurse practitioner who has a specialty area in accordance with the American Nurses' Association Statement on Psychiatric Mental Health Clinical Nursing Practice and Standards of Psychiatric Mental Health Clinical Nursing Practice.

6. School Psychologist7. Licensed Professional Clinical Counselor (LPCC)8. Licensed Professional Clinical Associate (LPCA)9. Board Certified Behavior Analysts10. Psychometrist11. Licensed Marriage and Family Therapist (LMFT)12. Licensed Clinical Alcohol and Drug Counselor (LCADC)13. Licensed Clinical Alcohol and Drug Counselor Associate14. Certified School Counselor**(e) Speech**

Services must be medically necessary and appear in the child's Individualized Education Plan. Covered services include:

Assessment services

Service may include testing and/or clinical observation as appropriate for chronological or developmental age for all the following areas of functioning and shall yield a written report:

Receptive and expressive language, auditory memory, discrimination, and processing, vocal quality and resonance patterns, phonological development, pragmatic language, rhythm/fluency, oral mechanism, swallowing assessment, augmentative communication and hearing status based on pass/fail criteria

Treatment services

Service includes one or more of the following as appropriate:

Articulation therapy, language therapy; receptive and expressive language, augmentative communication training, auditory processing, discrimination, and training, fluency training, disorders of speech flow, voice therapy, oral motor training; swallowing therapy and speech reading.

Qualifications of Providers

Treatment services may be performed by a Speech/Language Pathologist with the following qualifications:

TN. No. ~~26-000108-010~~

Supersedes

Approval Date: ~~06-04-10~~

Eff. Date:

TN. 08-010 ~~No. None~~~~7/1/2609/15/08~~

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Qualifications of Providers: Treatment services may be performed by a Speech/Language Pathologist with the following qualifications:

1. Current Certificate of Clinical Competence from the American Speech Hearing Association (ASHA);
2. Current license as Speech Language Pathologist from KY Board of Speech Language Pathology and Audiology;

As of August 1, 2011, Speech Therapy services will only be performed by individuals meeting applicable requirements of 42 CFR 440.110, including the possession of a Speech/Language Pathologist with a current Certificate of Clinical Competence from the American Speech Hearing Association (ASHA).

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8. Personal care services coverable and performed by individuals qualified under 42 CFR § 440.167;
9. Services performed by licensed practitioners within the scope of their practice for individuals with behavioral health (mental health and substance abuse) disorders, as defined under state law, and coverable as medical or other remedial care under 42 CFR § 440.60;
10. Diagnostic, screening, preventive, and rehabilitative services covered under 42 CFR § 440.130;
11. Medical nutritional services provided by a qualified professional under 42 CFR § 440.60;
12. Sports related or other injury assessment and therapy provided by a qualified professional under 42 CFR § 440.60.
13. Assessments and independent evaluations are covered as necessary to assess or reassess the need for medical services in a child's treatment plan and must be performed by any of the above licensed practitioners within the scope of practice.
14. Audiology
15. Transportation (IEP only)

A. Cost Reimbursement Methodology for School-Based Services.

Final reimbursement is based on the certified reports that are submitted using the methodology allowed under the Kentucky School-Based Cost Report reviewed by the Centers for Medicare and Medicaid Services (CMS).

To determine the Medicaid-allowable costs of providing School-Based Services to Kentucky Medicaid members, the following steps are performed:

~~Direct costs of providing School Based Services include payroll costs and other costs that can be directly charged to School Based Services, including costs that are integral to School Based Services. Direct costs are recorded on a modified accrual basis consistent with the Kentucky Department of Education chart of accounts, and the source data is the School Based Services Provider's accounting and payroll systems. Direct payroll costs include total compensation (i.e., salaries and benefits and contract compensation) of direct services personnel listed in the descriptions of the covered Medicaid services delivered by School Based Services providers under Item 4.b. EPSDT in Supplement to Attachment 3.1 A/B. Direct costs do not include salaries for staff who do not meet the qualifications required under item 4.b.EPSDT in Supplement to Attachment 3.1 A/B.~~

~~Other direct costs include costs directly attributed to activities performed by the personnel who are approved to deliver School Based Services, such as, travel, materials and supplies. Additional direct costs include purchased services. These direct costs are accumulated on the annual Kentucky School Based Cost Report.~~

Data Sources and Cost Finding Steps

- 1) Allowable Costs: Direct costs for medical services include unallocated payroll costs and other

unallocated costs that can be directly charged to medical services. Costs are included in accordance with 2 CFR 200 and 45 CFR 75. Direct payroll costs include in the total compensation (i.e. salaries and benefits) to the service personnel identified for the provision of health services listed in the description of covered Medicaid services delivered by LEAs.

Other direct costs include costs related to the approved service personnel for the delivery of medical services, such as materials, supplies and equipment and capital costs such as depreciation and interest. Only those materials, supplies, and equipment that have been identified and included in the approved DMS Medicaid cost reporting instructions are allowable costs and can be included on the Medicaid cost report.

Total direct costs for medical services are reduced on the cost report by any credits, adjustments or revenue from other funding sources resulting in direct costs net of federal funds.

a. Direct Medical Services

Non-federal cost pool for allowable providers consists of:

- i. Salaries;
- ii. Benefits;
- iii. Medically-related purchased services;
- iv. Medically-related supplies and materials;
- v. Direct medical equipment depreciation.

b. Medically related purchased services include contracted services. LEAs report the amounts they pay to contracted providers as salaries. Benefits are not reported by the LEA for contracted staff.

2) Contracted costs: Costs incurred through the provision of direct services by contracted staff are allowable costs net of credits, adjustments or revenue from other funding sources. This total is then added to the net direct costs identified in the Item 1 above.

a. The LEA's Unrestricted Indirect Cost Rate is applied to contracted service costs to reflect the overhead and administrative costs incurred by the LEA to support the contracted service clinician and are non-duplicative of any agency indirect costs charged to the LEA by the contractor.

8. Personal care services coverable and performed by individuals qualified under 42 CFR § 440.167;
9. Services performed by licensed practitioners within the scope of their practice for individuals with behavioral health (mental health and substance abuse) disorders, as defined under state law, and coverable as medical or other remedial care under 42 CFR § 440.60;
10. Diagnostic, screening, preventive, and rehabilitative services covered under 42 CFR § 440.130;
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12. Sports related or other injury assessment and therapy provided by a qualified professional under 42 CFR § 440.60.
13. Assessments and independent evaluations are covered as necessary to assess or reassess the need for medical services in a child's treatment plan and must be performed by any of the above licensed practitioners within the scope of practice.
14. Audiology
15. Transportation (IEP only)

A. Cost Reimbursement Methodology for School-Based Services.

Final reimbursement is based on the certified reports that are submitted using the methodology allowed under the Kentucky School-Based Cost Report reviewed by the Centers for Medicare and Medicaid Services (CMS).

To determine the Medicaid-allowable costs of providing School-Based Services to Kentucky Medicaid members, the following steps are performed:

Data Sources and Cost Finding Steps

- 1) Allowable Costs: Direct costs for medical services include unallocated payroll costs and other unallocated costs that can be directly charged to medical services. Costs are included in accordance with 2 CFR 200 and 45 CFR 75. Direct payroll costs include in the total compensation (i.e. salaries and benefits) to the service personnel identified for the provision of health services listed in the description of covered Medicaid services delivered by LEAs.

Other direct costs include costs related to the approved service personnel for the delivery of medical services, such as materials, supplies and equipment and capital costs such as depreciation and interest. Only those materials, supplies, and equipment that have been identified and included in the approved DMS Medicaid cost reporting instructions are allowable costs and can be included on the Medicaid cost report.

Total direct costs for medical services are reduced on the cost report by any credits, adjustments or revenue from other funding sources resulting in direct costs net of federal funds.

a. Direct Medical Services

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- i. Salaries;
- ii. Benefits;
- iii. Medically-related purchased services;
- iv. Medically-related supplies and materials;
- v. Direct medical equipment depreciation.

b. Medically related purchased services include contracted services. LEAs report the amounts they pay to contracted providers as salaries. Benefits are not reported by the LEA for contracted staff.

2) Contracted costs: Costs incurred through the provision of direct services by contracted staff are allowable costs net of credits, adjustments or revenue from other funding sources. This total is then added to the net direct costs identified in the Item 1 above.

a. The LEA's Unrestricted Indirect Cost Rate is applied to contracted service costs to reflect the overhead and administrative costs incurred by the LEA to support the contracted service clinician and are non-duplicative of any agency indirect costs charged to the LEA by the contractor.

~~Direct costs do not include room and board.~~

- ~~(1) Direct costs for School Based Services from Item 1 above are reduced by any federal payments for those costs, resulting in adjusted direct costs for School Based Services.~~
- ~~(2) Adjusted direct costs from Item 2 above are then allocated to identify Medicaid reimbursable costs for School Based Services according to the Random Moment Time Study (RMTS) results that are identified according to the process described in the Kentucky RMTS Implementation Plan, approved by CMS.~~
- ~~(3) Indirect costs are calculated using the unrestricted indirect cost rate set by the Kentucky Department of Education as the cognizant agency or other allowable rates per OMB 2 CFR Part 225: Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A 87). Indirect costs are equal to adjusted direct costs multiplied by the unrestricted indirect costs rate. These indirect costs are then added to the adjusted direct costs to determine the total direct costs.~~
- ~~(4) Medicaid allowable costs are identified by applying the applicable Medicaid Enrollment Ratio to the total direct costs. For those costs allocated by the RMTS as being covered services, the quarterly Medicaid Enrollment ratio is the number of Medicaid enrolled children, ages 15-18, per county. To determine the MER for each participating school district, Kentucky utilizes calculations. These quarterly calculations utilize the following reports:

 - ~~▪ A countywide report of all Medicaid enrolled ages 5-18 provided by the Department of Medicaid. This report provides just the number of Medicaid enrolled.~~
 - ~~▪ DMS also provides a master detail listing of all Medicaid enrolled ages 5-18, which include the name, date of birth and social security number of each of the Medicaid participants residing in each of the participating school district counties.~~
 - ~~▪ A school district report of all enrolled students between the ages of 5-18. This report is generated by the statewide enrollment reporting database. The report lists the student name, date of birth, and social security number.~~
 - ~~▪ The end of the school year enrollment report submitted by each individual school district.~~~~

~~To calculate the MER for participating school districts where there is only one school district located in the county. The MER is determined by dividing the DMS countywide report by the school district's year-end total enrollment.~~

~~To calculate the MER for participating school districts where there are multiple school districts located in the same county. The KDE performs a computerized match where the district generated student list is compared to the DMS master list. The MER is determined by dividing the number of Medicaid enrolled matches by the end of the school year enrollment.~~

- ~~(1) Costs incurred through the provision of direct services by contracted staff are allowable costs net of credits, adjustments or revenue from other funding sources. This total is then added to the net direct costs identified in Item 1 above.~~
- ~~(2) Indirect costs are determined by applying the LEA's specific unrestricted indirect cost rate to its net direct costs identified above. Kentucky's LEAs use predetermined fixed rates for indirect costs. The~~

Kentucky Department of Education (KDE) is the cognizant agency for LEAs and approves unrestricted indirect cost rates for LEAs for the United States Department of Education. Only allowable costs are certified by LEAs.

When a KDE calculated unrestricted indirect cost rate is not available, school districts will use a de minimis rate in accordance with 2 CFR 200.414(f). School districts with a KDE calculated unrestricted indirect cost rate must use the calculated rate and cannot choose the de minimis rate.

Indirect Cost Rate

- a. Apply the Kentucky Department of Education Cognizant Agency UICR applicable for the dates of service in the rate year.
- b. The UICR is the unrestricted indirect cost rate calculated by the Kentucky Department of Education

To ensure non-duplication of costs, LEAs are instructed that costs from accounting codes that are used in the calculation of the unrestricted indirect cost rate are not to be included in the reported expenditures on the annual cost report.

- (3) Time Study Percentages: After the state receives a CMS approval letter for the time study implementation guide (TSIG) to run the RMTS, a time study will be used to determine the percentage of time that medical service personnel spend on IEP/IFSP, other medical plans of care, or where medical necessity has been otherwise established direct medical services, general and administrative time and all other activities to account for 100 percent of time to assure that there is no duplicate claiming. When the participant is providing a direct medical service, as part of their response, they will indicate how medical necessity has been established (IEP/IFSP, other plans of care) and that will determine which direct service code the moment is assigned to. The RMTS methodology will utilize two distinct cost pools; one cost pool for Direct Medical Services, which includes all eligible staff except Personal Care Providers and one that includes Personal Care Providers. The average of the two sample period time studies will be used to determine the percentage of time spent on the provision of medical services to students with an IEP/IFSP, other medical plans of care or where medical necessity has been otherwise established and applied statewide. All regular school days are part of the RMTS universe.

RMTS Sampling Periods

Effective on 7/1/2026: The sampling period is defined as follows for the SBHS Program:

Sample Period 1 = mid-August – December 31*

Sample Period 2 = January 1 –mid-August**

*The time study period will begin with the first regular school day when any participating district returns from the summer break and will continue until the end of December.

**Sample Period 2 will end the day prior to the first regular school day when any participating district returns from summer break.

Below the job categories in each of the cost pools are outlined based on the current eligible provider job categories.

—Cost Pool 1 (Direct Service & Administrative Providers)

- Licensed Audiologist
- ASHA Certified Speech / Language Therapist
- Licensed Occupational Therapists
- COTAs (Certified Occupational Therapy Assistants)
- Occupational Therapist Aide
- Licensed Physical Therapists
- Licensed Physical Therapy Assistants
- Physical Therapist Aide
- Physical Therapy Student (Intern)
- Advanced Registered Nurse Practitioner
- School Nurses, RN
- School Nurses, LPN
- Licensed Clinical Social Workers
- Certified Social Worker
- Licensed Psychologist
- Licensed Psychological Practitioner
- ~~Licensed Psychological Associate~~
- ~~Licensed Psychological Associate~~
- School Psychologist
- Certified Psychologist with Autonomous Functioning
- Certified Psychologist
- Clinical Psychologist
- Psychometrist
- Licensed Professional Clinical Counselor
- Licensed Professional Clinical Counselor Associate
- Marriage and Family Counselor
- Licensed Clinical Alcohol and Drug Counselor (LCADC)
- Licensed Clinical Alcohol and Drug Counselor Associate (LCADCA)
- Board Certified Behavior Analyst
- Board Certified Assistant Behavior Analyst
- Licensed Professional Art Therapist (LPAT)
- Licensed Professional Art Therapist Associate (LPATA)
- Interpreters
- MD/OD/Dentist
- Physician Assistant
- Orientation & Mobility Specialist
- School Counselors

Cost Pool 2 (Personal Care Providers Only)

- Health Aide

The RMTS will generate the Direct Medical Services time study percentages; one for Direct Medical Services pursuant to an IEP/IFSP and one for Direct Medical Services pursuant to other medical plans of care. There is one Direct Medical Services percentage pursuant to an IEP/IFSP for each cost pool and that cost pool percentage is used statewide. There is also one Direct Medical Services percentage pursuant to other medical plans of care for each cost pool and that cost pool percentage is used statewide as well. The two Direct Medical Service time study percentages will be applied to only those costs associated with direct medical services to generate a Direct Medical Service cost amount for services provided pursuant to an IEP/IFSP and a Direct Medical Services cost amount for services provided pursuant to other medical plans of care for each cost pool. The direct medical services costs and time study results must be aligned to ensure proper cost allocation. The CMS approval letter for the time study will be maintained by the Commonwealth of Kentucky and CMS.

- (4) Medicaid Enrollment Ratio for Direct Services Determination: Two distinct Medicaid ratios will be established for each participating school district. When applied, these ratios will discount the associated Direct Medical Service cost pools by the percentage of Medicaid enrolled students for each participating LEA
- a. Medicaid IEP Ratio: The Medicaid IEP Ratio will be used in the calculation of the Medicaid Direct Medical Service costs pursuant to an IEP/IFSP. An IEP ratio is determined for each participating LEA. When applied, this IEP Ratio discounts the Direct Service cost pool by the percentage of IEP Medicaid students for the time associated with Activity Code 4B. The names and birthdates of students with an IEP are identified from the December 1 Count Report each year filed annually by each LEA to KDE and matched against the December 1st Medicaid enrollment file from The Department to determine the percentage of students with a covered service on an IEP enrolled in Medicaid. The numerator of the rate is the students with an IEP that are enrolled in Medicaid and the denominator is the total number of students with an IEP.
- b. Medicaid Enrollment Ratio for Other Medical Plans of Care: The Medicaid Enrollment Ratio for Other Medical Plans of Care will be used in the calculation of the Medicaid Direct Medical Service costs pursuant to medical plans of care other than an IEP/IFSP. The names and birthdates of students are identified from fall count which is typically November 1st of each year and matched against the November 1st Medicaid enrollment file from The Department to determine the percentage of students enrolled in Medicaid. The numerator of the MER is the total number of Medicaid enrolled students in the district, and the denominator is the total number of students enrolled in the district. The costs of these activities are claimable as administrative activities but only to the extent that they are directed toward the Medicaid enrolled population. This MER will also be used to discount the Direct Service Cost Pool for the time associated with Activity Code 4C.
- (5) Total Medicaid Reimbursable Cost: The result of the previous steps will be a total Medicaid reimbursable cost for each school LEA for Direct Medical Services.

Specialized Transportation Services Payment Methodology Determination of Total Medicaid Reimbursable Cost:

Transportation may be claimed as a Medicaid service when the following conditions are met:

1. Special transportation is specifically listed in the IEP as a required service;
 - The child requires specialized transportation which serves the needs of an individual with a disability.
 - A Medicaid eligible service is provided on the day that the specialized transportation is billed; and
 - The service billed only represents the costs associated with the one-way trip on the specially adapted transportation for direct medical services as listed in the IEP/IFSP.

The specialized transportation cost pool will include only those costs below associated with the specialized transportation program described below and allocate those costs based on allowable Medicaid 1-way trips.

Transportation costs included on the cost report worksheet will only include those personnel and non-personnel costs associated with special education reduced by any federal payments for these costs, resulting in adjusted costs for transportation. The cost identified on the cost report includes the following:

1. Bus Drivers
2. Mechanics
3. Substitute Drivers
4. Fuel
5. Repairs & Maintenance
6. Rentals
7. Insurance
8. Contract Use Cost
9. Depreciation

The source of these costs will be audited Chart of Accounts data kept at the school district, ISDs, and K-12 educational institutions level. The Chart of Accounts is uniform throughout the Commonwealth of Kentucky.

Special education transportation costs include those for wheelchair lifts and other special modifications which are necessary to equip a school bus to transport children with disabilities.

Costs for specialized transportation must be reported in one of two, mutually exclusive cost pools: Specialized Transportation Only or Not Only Specialized Transportation.

- Specialized Transportation Only Costs: LEAs/ISDs should report costs in this cost pool only when they are able to discretely account for these costs within their financial records AND when the personnel and non-personnel costs being reported under this category are 100% dedicated to the provision of a specialized transportation trip. Costs reported as Specialized Transportation Only would be apportioned to the Medicaid program through the application of the Medicaid One-Way Trip Ratio only.
- Not-Only Specialized Transportation Cost: LEAs/ISDs should report costs in this cost pool when they cannot discretely identify the specialized transportation costs from their general transportation costs AND when specialized transportation personnel or equipment are used to provide transportation services for both specialized transportation and general transportation students. For example, if a bus modified for the purposes of providing specialized transportation services is also used to transport a general education student(s), the personnel and non-personnel costs must be reported as Not-Only Specialized Transportation. Costs reported as Not-Only Specialized Transportation costs will be apportioned to the Medicaid program first through the application of the Specialized Transportation Student Ratio to identify the portion of costs associated with the provision of the specialized transportation services and subsequently by the application of the Medicaid One-Way Trip Ratio.

The two ratios are defined as follows:

- Specialized Transportation Student Ratio: The Specialized Transportation Student Ratio is required when a LEA/ISD reports “not-only specialized transportation” costs. This ratio determines the percentage of students with specialized transportation as prescribed in their IEP/IFSP receiving specialized transportation services in a LEA/ISD and therefore the portion of costs associated with the provision of specialized transportation services. The numerator of the Specialized Transportation Student Ratio will be the count of all students with specialized transportation prescribed in their IEP/IFSP. The denominator of the Specialized Transportation Student Ratio will be the total number of all students receiving transportation services in the LEA/ISD. This would include students receiving both specialized transportation per their IEP/IFSP and all other students receiving transportation services.

The formula for the Specialized Transportation Student Ratio is presented below:

ALL Students with Specialized Transportation in their IEP/IFSP
ALL Students receiving Transportation Services in the LEA/ISD

The application of the Specialized Transportation Student Ratio to the Not-Only Specialized Transportation Cost Pool results in the exclusion of any costs associated with transportation services for any students that are not receiving specialized transportation services per their IEP/IFSP. The remaining costs following the application of this ratio are associated with the provision of transportation services for only those students receiving specialized transportation per their IEP/IFSP.

NOTE: If a LEA reports costs as Specialized Transportation Only, as defined above, the Specialized Transportation Student Ratio would not be applicable.

- Medicaid One-Way Trip Ratio: The Medicaid One-Way Trip Ratio is used to allocate the Medicaid allowable specialized transportation costs from the total specialized transportation costs reported by the LEA/ISD. The numerator for the Medicaid One-Way Trip Ratio will be the total number of Allowable (as defined above) specialized transportation one-way trips for Medicaid enrolled IEP/IFSP students. The denominator for this ratio will be the total number of one-way trips for all students using specialized transportation vehicles (Medicaid enrolled and non-Medicaid enrolled students). The source for the trip counts reported in the numerator and denominator will be LEA/ISD vehicle/bus logs or equivalent documentation.

The formula for the Medicaid One-Way Trip Ratio is presented below:

Allowable Specialized Transportation One-Way Trips for Medicaid Enrolled Students with Specialized Transportation in their IEP/IFSP

All Specialized Transportation One-Way Trips for All Students with Specialized Transportation in their IEP/IFSP

The denominator for this ratio should be inclusive of all one-way trips for all students included in the numerator of the Specialized Transportation Student Ratio.

The application of the Medicaid One-Way Trip Ratio to the Specialized Transportation Only Cost Pool and the Not-Only Specialized Transportation Cost Pool (following the application of the Specialized Transportation Student Ratio) will result in the identification of the costs for Specialized Transportation one-way trips for Medicaid enrolled students with specialized transportation in their IEP/IFSP.

The School-Based Services Providers' temporary rate is the rate for a specific service, which is provisional in nature, pending the completion of a cost reconciliation and a cost settlement for that period. This rate is for direct medical services, per unit of service, on a per visit basis Claims filed by School-Based Services Providers to Medicaid Management Information System (MMIS) as part of this process, are paid at 70% of the submitted costs, and are temporary rates for cost settlement purposes only.

- (1) Costs incurred through the provision of direct services by contracted staff are allowable costs net of credits, adjustments or revenue from other funding sources. This total is then added to the net direct costs identified in Item 1 above.
- (2) Indirect costs are determined by applying the LEA's specific unrestricted indirect cost rate to its net direct costs identified above. Kentucky's LEAs use predetermined fixed rates for indirect costs. The Kentucky Department of Education (KDE) is the cognizant agency for LEAs and approves unrestricted indirect cost rates for LEAs for the United States Department of Education. Only allowable costs are certified by LEAs.

When a KDE calculated unrestricted indirect cost rate is not available, school districts will use a de minimis rate in accordance with 2 CFR 200.414(f). School districts with a KDE calculated unrestricted indirect cost rate must use the calculated rate and cannot choose the de minimis rate.

Indirect Cost Rate

- a. Apply the Kentucky Department of Education Cognizant Agency UICR applicable for the dates of service in the rate year.
- b. The UICR is the unrestricted indirect cost rate calculated by the Kentucky Department of Education

To ensure non-duplication of costs, LEAs are instructed that costs from accounting codes that are used in the calculation of the unrestricted indirect cost rate are not to be included in the reported expenditures on the annual cost report.

- (3) Time Study Percentages: After the state receives a CMS approval letter for the time study implementation guide (TSIG) to run the RMTS, a time study will be used to determine the percentage of time that medical service personnel spend on IEP/IFSP, other medical plans of care, or where medical necessity has been otherwise established direct medical services, general and administrative time and all other activities to account for 100 percent of time to assure that there is no duplicate claiming. When the participant is providing a direct medical service, as part of their response, they will indicate how medical necessity has been established (IEP/IFSP, other plans of care) and that will determine which direct service code the moment is assigned to. The RMTS methodology will utilize two distinct cost pools; one cost pool for Direct Medical Services, which includes all eligible staff except Personal Care Providers and one that includes Personal Care Providers. The average of the two sample period time studies will be used to determine the percentage of time spent on the provision of medical services to students with an IEP/IFSP, other medical plans of care or where medical necessity has been otherwise established and applied statewide. All regular school days are part of the RMTS universe.

RMTS Sampling Periods

Effective on 7/1/2026: The sampling period is defined as follows for the SBHS Program:

Sample Period 1 = mid-August – December 31*
Sample Period 2 = January 1 –mid-August**

*The time study period will begin with the first regular school day when any participating district returns from the summer break and will continue until the end of December.

**Sample Period 2 will end the day prior to the first regular school day when any participating district returns from summer break.

Below the job categories in each of the cost pools are outlined based on the current eligible provider job categories.

Cost Pool 1 (Direct Service & Administrative Providers)

- Licensed Audiologist
- ASHA Certified Speech / Language Therapist
- Licensed Occupational Therapists
- COTAs (Certified Occupational Therapy Assistants)
- Occupational Therapist Aide
- Licensed Physical Therapists
- Licensed Physical Therapy Assistants
- Physical Therapist Aide
- Physical Therapy Student (Intern)
- Advanced Registered Nurse Practitioner
- School Nurses, RN
- School Nurses, LPN
- Licensed Clinical Social Workers
- Certified Social Worker
- Licensed Psychologist
- Licensed Psychological Practitioner
- Licensed Psychological Associate
- School Psychologist
- Certified Psychologist with Autonomous Functioning
- Certified Psychologist
- Clinical Psychologist
- Psychometrist
- Licensed Professional Clinical Counselor
- Licensed Professional Clinical Counselor Associate
- Marriage and Family Counselor
- Licensed Clinical Alcohol and Drug Counselor (LCADC)
- Licensed Clinical Alcohol and Drug Counselor Associate (LCADCA)
- Board Certified Behavior Analyst
- Board Certified Assistant Behavior Analyst
- Licensed Professional Art Therapist (LPAT)
- Licensed Professional Art Therapist Associate (LPATA)
- Interpreters
- MD/OD/Dentist
- Physician Assistant
- Orientation & Mobility Specialist
- School Counselors

Cost Pool 2 (Personal Care Providers Only)

- Health Aide

The RMTS will generate the Direct Medical Services time study percentages; one for Direct Medical Services pursuant to an IEP/IFSP and one for Direct Medical Services pursuant to other medical plans of care. There is one Direct Medical Services percentage pursuant to an IEP/IFSP for each cost pool and that cost pool percentage is used statewide. There is also one Direct Medical Services percentage pursuant to other medical plans of care for each cost pool and that cost pool percentage is used statewide as well. The two Direct Medical Service time study percentages will be applied to only those costs associated with direct medical services to generate a Direct Medical Service cost amount for services provided pursuant to an IEP/IFSP and a Direct Medical Services cost amount for services provided pursuant to other medical plans of care for each cost pool. The direct medical services costs and time study results must be aligned to ensure proper cost allocation. The CMS approval letter for the time study will be maintained by the Commonwealth of Kentucky and CMS.

- (4) Medicaid Enrollment Ratio for Direct Services Determination: Two distinct Medicaid ratios will be established for each participating school district. When applied, these ratios will discount the associated Direct Medical Service cost pools by the percentage of Medicaid enrolled students for each participating LEA
- a. Medicaid IEP Ratio: The Medicaid IEP Ratio will be used in the calculation of the Medicaid Direct Medical Service costs pursuant to an IEP/IFSP. An IEP ratio is determined for each participating LEA. When applied, this IEP Ratio discounts the Direct Service cost pool by the percentage of IEP Medicaid students for the time associated with Activity Code 4B. The names and birthdates of students with an IEP are identified from the December 1 Count Report each year filed annually by each LEA to KDE and matched against the December 1st Medicaid enrollment file from The Department to determine the percentage of students with a covered service on an IEP enrolled in Medicaid. The numerator of the rate is the students with an IEP that are enrolled in Medicaid and the denominator is the total number of students with an IEP.
- b. Medicaid Enrollment Ratio for Other Medical Plans of Care: The Medicaid Enrollment Ratio for Other Medical Plans of Care will be used in the calculation of the Medicaid Direct Medical Service costs pursuant to medical plans of care other than an IEP/IFSP. The names and birthdates of students are identified from fall count which is typically November 1st of each year and matched against the November 1st Medicaid enrollment file from The Department to determine the percentage of students enrolled in Medicaid. The numerator of the MER is the total number of Medicaid enrolled students in the district, and the denominator is the total number of students enrolled in the district. The costs of these activities are claimable as administrative activities but only to the extent that they are directed toward the Medicaid enrolled population. This MER will also be used to discount the Direct Service Cost Pool for the time associated with Activity Code 4C.
- (5) Total Medicaid Reimbursable Cost: The result of the previous steps will be a total Medicaid reimbursable cost for each school LEA for Direct Medical Services.

Specialized Transportation Services Payment Methodology Determination of Total Medicaid Reimbursable Cost:

Transportation may be claimed as a Medicaid service when the following conditions are met:

1. Special transportation is specifically listed in the IEP as a required service;
 - The child requires specialized transportation which serves the needs of an individual with a disability.
 - A Medicaid eligible service is provided on the day that the specialized transportation is billed; and
 - The service billed only represents the costs associated with the one-way trip on the specially adapted transportation for direct medical services as listed in the IEP/IFSP.

The specialized transportation cost pool will include only those costs below associated with the specialized transportation program described below and allocate those costs based on allowable Medicaid 1-way trips.

Transportation costs included on the cost report worksheet will only include those personnel and non- personnel costs associated with special education reduced by any federal payments for these costs, resulting in adjusted costs for transportation. The cost identified on the cost report includes the following:

1. Bus Drivers
2. Mechanics
3. Substitute Drivers
4. Fuel
5. Repairs & Maintenance
6. Rentals
7. Insurance
8. Contract Use Cost
9. Depreciation

The source of these costs will be audited Chart of Accounts data kept at the school district, ISDs, and K-12 educational institutions level. The Chart of Accounts is uniform throughout the Commonwealth of Kentucky.

Special education transportation costs include those for wheelchair lifts and other special modifications which are necessary to equip a school bus to transport children with disabilities.

Costs for specialized transportation must be reported in one of two, mutually exclusive cost pools; Specialized Transportation Only or Not Only Specialized Transportation.

- **Specialized Transportation Only Costs:** LEAs/ISDs should report costs in this cost pool only when they are able to discretely account for these costs within their financial records AND when the personnel and non-personnel costs being reported under this category are 100% dedicated to the provision of a specialized transportation trip. Costs reported as Specialized Transportation Only would be apportioned to the Medicaid program through the application of the Medicaid One-Way Trip Ratio only.
- **Not-Only Specialized Transportation Cost:** LEAs/ISDs should report costs in this cost pool when they cannot discretely identify the specialized transportation costs from their general transportation costs AND when specialized transportation personnel or equipment are used to provide transportation services for both specialized transportation and general transportation students. For example, if a bus modified for the purposes of providing specialized transportation services is also used to transport a general education student(s), the personnel and non-personnel costs must be reported as Not-Only Specialized Transportation. Costs reported as Not-Only Specialized Transportation costs will be apportioned to the Medicaid program first through the application of the Specialized Transportation Student Ratio to identify the portion of costs associated with the provision of the specialized transportation services and subsequently by the application of the Medicaid One-Way Trip Ratio.

The two ratios are defined as follows:

- **Specialized Transportation Student Ratio:** The Specialized Transportation Student Ratio is required when a LEA/ISD reports “not-only specialized transportation” costs. This ratio determines the percentage of students with specialized transportation as prescribed in their IEP/IFSP receiving specialized transportation services in a LEA/ISD and therefore the portion of costs associated with the provision of specialized transportation services. The numerator of the Specialized Transportation Student Ratio will be the count of all students with specialized transportation prescribed in their IEP/IFSP. The denominator of the Specialized Transportation Student Ratio will be the total number of all students receiving transportation services in the LEA/ISD. This would include students receiving both specialized transportation per their IEP/IFSP and all other students receiving transportation services.

The formula for the Specialized Transportation Student Ratio is presented below:

$$\frac{\text{ALL Students with Specialized Transportation in their IEP/IFSP}}{\text{ALL Students receiving Transportation Services in the LEA/ISD}}$$

The application of the Specialized Transportation Student Ratio to the Not-Only Specialized Transportation Cost Pool results in the exclusion of any costs associated with transportation services for any students that are not receiving specialized transportation services per their IEP/IFSP. The remaining costs following the application of this ratio are associated with the provision of transportation services for only those students receiving specialized transportation per their IEP/IFSP.

NOTE: If a LEA reports costs as Specialized Transportation Only, as defined above, the Specialized Transportation Student Ratio would not be applicable.

- **Medicaid One-Way Trip Ratio:** The Medicaid One-Way Trip Ratio is used to allocate the Medicaid allowable specialized transportation costs from the total specialized transportation costs reported by the LEA/ISD. The numerator for the Medicaid One-Way Trip Ratio will be the total number of Allowable (as defined above) specialized transportation one-way trips for Medicaid enrolled IEP/IFSP students. The denominator for this ratio will be the total number of one-way trips for all students using specialized transportation vehicles (Medicaid enrolled and non-Medicaid enrolled students). The source for the trip counts reported in the numerator and denominator will be LEA/ISD vehicle/bus logs or equivalent documentation.

The formula for the Medicaid One-Way Trip Ratio is presented below:

Allowable Specialized Transportation One-Way Trips for Medicaid Enrolled Students with Specialized Transportation in their IEP/IFSP

All Specialized Transportation One-Way Trips for All Students with Specialized Transportation in their IEP/IFSP

The denominator for this ratio should be inclusive of all one-way trips for all students included in the numerator of the Specialized Transportation Student Ratio.

The application of the Medicaid One-Way Trip Ratio to the Specialized Transportation Only Cost Pool and the Not-Only Specialized Transportation Cost Pool (following the application of the Specialized Transportation Student Ratio) will result in the identification of the costs for Specialized Transportation one-way trips for Medicaid enrolled students with specialized transportation in their IEP/IFSP.

The School-Based Services Providers' temporary rate is the rate for a specific service, which is provisional in nature, pending the completion of a cost reconciliation and a cost settlement for that period. This rate is for direct medical services, per unit of service, on a per visit basis Claims filed by School-Based Services Providers to Medicaid Management Information System (MMIS) as part of this process, are paid at 70% of the submitted costs, and are temporary rates for cost settlement purposes only.