

PEDIATRIC THERAPY MEDICAID REIMBURSEMENT

A targeted, budget-feasible request
aligned with SJR 54 and HB 6

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Associates in Pediatric Therapy™

Advancing Patients to Their Next Therapeutic Level





WHY THIS MATTERS

- ACCESS FOR MEDICAID CHILDREN (0-21) IS AT RISK
 - Medicaid represents 60–70% of pediatric therapy payer mix
 - High turnover for providers leaving pediatrics
 - APT & Marshall together have around 5000+ patients waiting for services.
 - No meaningful pediatric therapy rate increases since both APT and Marshall opened practices

WHY THIS MATTERS

Medicare Conversion Factor (2014–2026)

Year	Conversion Factor (\$)	% Change from Previous Year
2014	\$35.8228	+5.3%
2015	\$35.9335	+0.5% (mid-year adjustment)
2016	\$35.8043	-0.36%
2017	\$35.8887	+0.24%
2018	\$35.9996	+0.31%
2019	\$36.0391	+0.11%
2020	\$36.0896	+0.14%
2021	\$34.8931	-3.3%
2022	\$34.6062	-0.8%
2023	\$33.8872	-2.1%
2024	\$33.2875	-1.7% (after March adjustment)
2025	\$32.3465	-2.8%

WHY THE GAP IS WIDENING IN 2026

In 2026, the Medicare Conversion Factor increased by over 3%, but Kentucky's Medicaid Fee Schedule has not yet been statutorily linked to an automatic inflation adjustment. Without a legislative "trigger" to move Medicaid rates upward alongside Medicare, Kentucky providers are seeing their margins shrink by an additional 3-5% this year alone.

1,395,000 CHILDREN AND ADULTS ARE ENROLLED IN KENTUCKY MEDICAID

Among all Medicaid enrollees in

Kentucky:

1 in 11 (9%) are children 3 in 5 (55%) live in a rural area

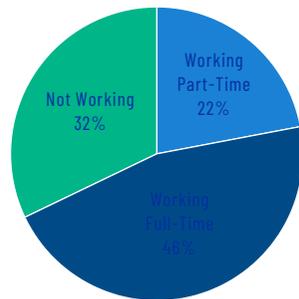
1 in 5 (19%) have three or more chronic conditions

KY expansion status:	Adults in expansion group:
Adopted	488,000

In Kentucky, Medicaid covers...



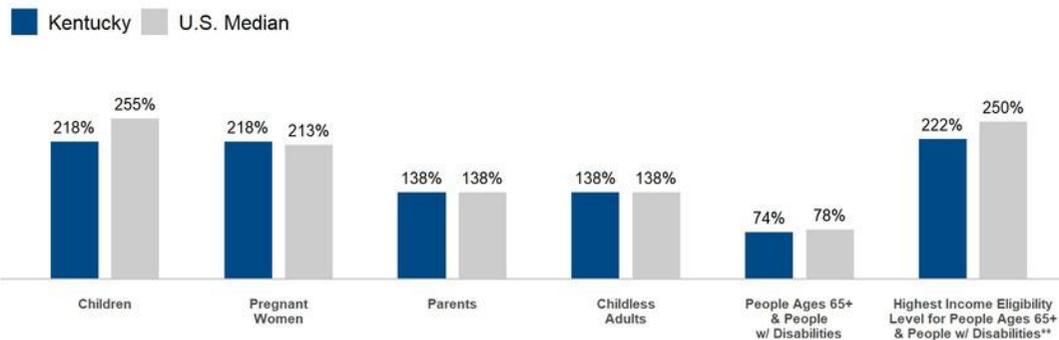
A majority (68%) of Medicaid adults are working in Kentucky



Medicaid covers from 22% to 54% of people in KY's congressional districts



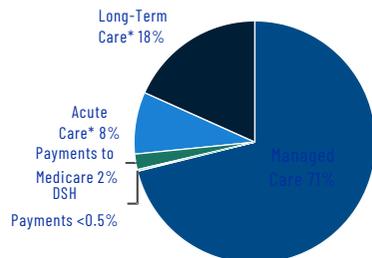
Medicaid eligibility limits as a percent of the federal poverty level (FPL)*



*The FPL in 2025 is \$26,850 for a family of three and \$15,850 for an individual. **To qualify for Medicaid at the higher income eligibility levels, individuals must need an institutional level of care.

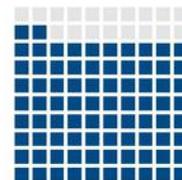
MEDICAID IN KENTUCKY

TOTAL MEDICAID SPENDING IN KENTUCKY IS \$16.3 BILLION



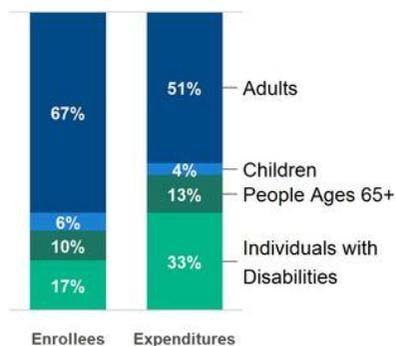
*Fee-for-Service

FINANCING FOR MEDICAID IS SHARED BY STATES AND THE FEDERAL GOVERNMENT; KENTUCKY RECEIVES \$13.3 BILLION IN FEDERAL MEDICAID FUNDING



Federal funding is 82% of total Medicaid spending in Kentucky

IN KENTUCKY MEDICAID, PEOPLE AGES 65+ AND PEOPLE WITH DISABILITIES ARE 27% OF ENROLLEES BUT ACCOUNT FOR 46% OF SPENDING

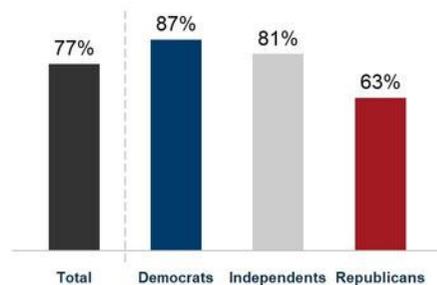


PER ENROLLEE MEDICAID SPENDING IS HIGHER FOR INDIVIDUALS RECEIVING INSTITUTIONAL CARE

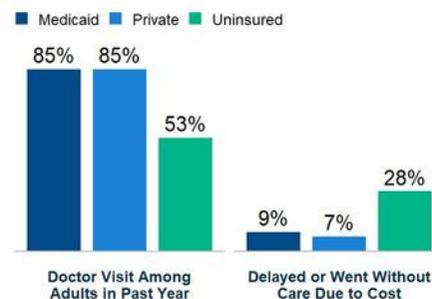
	HOME CARE	INSTITUTIONAL CARE
Per-enrollee spending	\$25,85	\$56,82
Number of enrollees	862,30	229,10
People on waiting lists*	4,89	0

*A waiting list includes people who are interested in, but are not receiving, home care.

MOST AMERICANS HOLD FAVORABLE VIEWS OF MEDICAID



NATIONALLY, ACCESS TO CARE IS SIMILAR FOR ADULTS WITH MEDICAID AND PRIVATE INSURANCE



THIS ISSUE IS NOT NEW

- WE HAVE FOLLOWED THE PROCESS
- 2007: APT OPENED
 - 2010: Began accepting Medicaid
 - 2013: Marshall opened practice
 - 2014–2015: Formal outreach to Medicaid leadership
 - 2015: Some therapy rates decreased
 - 2021–2022: Costs rose sharply and workforce strain increased

LEGISLATIVE ACTION TAKEN

- FEBRUARY 2023: TESTIMONY BEFORE HEALTH COMMITTEE
 - 2023: Senate Joint Resolution 54 passed
 - Directed DMS to examine pediatric therapy rates and propose solutions

PROVIDER FOLLOW-THROUGH

- SHARED CPT UTILIZATION DATA
 - Provided Indiana and West Virginia comparisons
 - Participated in actuarial modeling
 - We have maintained providing Medicaid access despite financial losses.
 - Retro Deactivation has caused major increase for administration burden and cost. It has always been around but with Covid had a major increase in 2022 and DMS has promised solutions but nothing has changed.

WHAT THE SJR 54 REPORT FOUND

- KENTUCKY PEDIATRIC THERAPY RATES AMONG LOWEST VS PEER STATES
 - Department of Medicaid recommended targeted increases, not across-the-board
 - Focus on top 10 billed CPT codes and EPSDT

A Report on Senate Joint Resolution 54



Submitted by:
Kentucky Department for
Medicaid Services

Submitted to:
Kentucky Legislative
Research Commission

SJR 54
2023 Regular Session
July 15, 2023

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Proposals

The Department for Medicaid Services advises against making drastic or sweeping rate increases for pediatric therapy services. This is inadvisable because it could result in unpredictable budgetary consequences for the Medicaid program, such as dramatic increases in net annual spend. What would be preferable to that approach would be a more targeted and strategic review of rate increases for specific billing codes; possibly including the top ten codes that have been presented in this report. This could allow for a more balanced effect, whereby providers realize appreciable increases in their revenues (and thus improving the financial stability of their practices) without raising net Medicaid program spending above a sustainable threshold.

In the interest of keeping net cost growth below an acceptable level, policymakers are encouraged to be particularly careful when it comes to rate increases for pediatric behavioral health services. This category of services accounts for a considerable proportion of utilization and spending. According to analyses presented in this report, among Kentucky Medicaid beneficiaries, pediatric behavioral health services accounted for over \$333 million in 2022.

In the short term, the Department for Medicaid Services recommends identifying key procedure codes amongst the suite of services outlined in SJR 54 for rate increases. When selecting these codes and considering the new rates to pay, the following list of questions may be helpful in guiding the decision-making process:

1. Among the list of providers outlined in SJR 54, which codes are most commonly billed?
2. Where do Kentucky's rates fall in comparison to peer states in the United States?

BUDGET 2024-2026

- HB 6 INCLUDED \$25 MILLION FOR MEDICAID REBASING
 - Funds were appropriated, not hypothetical
 - Lack of specific direction created an execution gap

WHERE THE PROCESS STALLED

- BUDGET 24-26
- NO SPECIFIC DIRECTION ON USE OF FUNDS
 - HB 6 INCLUDED \$25 MILLION FOR MEDICAID REBASING
 - FUNDS WERE APPROPRIATED, NOT HYPOTHETICAL
 - LACK OF SPECIFIC DIRECTION CREATED AN EXECUTION GAP
 - Cabinet did not utilize funds for pediatric therapy
 - The legislature believed funds supported provider access broadly
 - Providers received mixed signals from both Legislators and DMS

OUR ASK

1. To maintain the current provider network, Annual Inflationary Adjustment should be considered however our goal is that the state at least implements a **20% increase to the top 10 cpt codes & EPSDT rate** so they don't lose value against the rising costs of labor, rent, and specialized therapy equipment.
2. Alignment between Cabinet and Legislature to execute

↳ Top 10 Billed CPT Codes

Rank	CPT Code	Therapy Type	Description	KY Medicaid Rate (Approx.)
1	92507	Speech	Treatment of speech/language/auditory processing	\$47.04 / session
2	97530	OT / PT	Therapeutic Activities (functional tasks, 15 min)	\$22.34 / unit
3	97110	PT / OT	Therapeutic Exercise (strength/ROM, 15 min)	\$17.96 / unit
4	92523	Speech	Eval of speech sound production & language	\$139.24 / eval
5	97112	OT / PT	Neuromuscular Re-education (balance/posture)	\$20.79 / unit
6	97533	OT	Sensory Integrative Techniques (15 min)	\$37.99 / unit
7	97162	PT	PT Evaluation (Moderate Complexity)	\$61.52 / eval
8	97166	OT	OT Evaluation (Moderate Complexity)	\$61.52 / eval
9	97535	OT / PT	Self-care/Home Management training (ADLs)	\$19.88 / unit
10	92526	Speech/OT	Treatment of swallowing/feeding dysfunction	\$51.94 / session

THE FISCAL REALITY

- REQUEST: 20% INCREASE ON APPROXIMATELY \$36.2-50 M
 - Total Medicaid budget: approximately \$22.2B
 - Impact: ~0.045% of the total Medicaid billion-dollar spending budget

That \$10 million figure is before federal participation. Once federal matching dollars are applied, the state's actual investment is substantially lower

MEDICAID SPEND IN PEDIATRIC THERAPY

- In Kentucky, total Medicaid spending specifically for pediatric Occupational, Physical, and Speech Therapy is roughly **\$36 million annually**, based on the most recent specialized reports from the Department for Medicaid Services (DMS).
- While the overall Medicaid budget is vast (\$18.5 billion for SFY 2024), specialized therapy costs are often "hidden" within larger Managed Care Organization (MCO) buckets. However, legislative audits (SJR 54) recently isolated these specific figures to analyze provider shortages and rate disparities.

THERAPY TYPE ANNUAL SPEND (APPROX.)

Breakdown by Therapy Type (Pediatric Only)

According to data released in late 2023 for the 2022–2023 period, the annual spend for pediatric claims was:

OCCUPATIONAL THERAPY (OT) = \$14.8 MILLION

SPEECH THERAPY (ST) = \$14.3 MILLION

PHYSICAL THERAPY (PT) = \$7.1 MILLION

TOTAL PEDIATRIC THERAPY SPEND \$36.2 MILLION

KEY FACTORS IN THIS SPENDING

- **MCO Dominance:** Approximately 80% to 97% of these payments are processed through Managed Care Organizations (like Passport, Humana, or Aetna) rather than directly by the state.

Population Size: Medicaid covers over 600,000 children in Kentucky (more than half of the state's kids), creating a high demand for these services.

- **Waiver Add-ons:** These totals do not include all "ancillary" costs for children on the Michelle P. or SCL Waivers, which are billed separately. Starting in July 2024, the state introduced "Ancillary Add-ons" to incorporate therapy costs more directly into facility per-diem rates.

WHERE WE ARE RIGHT NOW

- COMMISSIONER LEE ACKNOWLEDGED PRIOR RECOMMENDATION OF SJR 54 FOR THE NEED FOR INCREASING PEDIATRIC REIMBURSEMENT
 - Commitment to joint meeting with legislators
 - Josh Hardesty engaged for cost modeling

A SOLVABLE PROBLEM

- DATA EXISTS
 - SJR 54 specifically recognized that inadequate rates were creating access issues. Any increase we may see is the result of fixing that problem so children can actually receive services they are already entitled to under EPSDT

ROI-THE "4-TO-1" ECONOMIC MULTIPLIER

- Pediatric therapy is an "investment" rather than an "expense."
- The Data: For every \$1 spent on pediatric OT, PT, or ST, the state saves approximately \$4 in future costs (special education, long-term disability, and lost tax revenue from underemployed adults).

Increasing rates for the top 10 codes isn't just a provider raise; it's a fiscal strategy to reduce the total billion-dollar Medicaid budget by decreasing the long-term "acuity" of the patient population.

QUESTIONS