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CABINET FOR HEALTH AND FAMILY SERVICES

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Steven Stack , MD
SECRETARY

February 24, 2026

Dear Senator Givens,

I am writing to formally express the Cabinet for Health and Family Services' (CHFS/Cabinet) concerns regarding SB 173. This bill would give the legislature control over the Medicaid state plan, which is the primary method that state government has to coordinate with the federal government to manage Kentucky's Medicaid program. If SB 173 passes as written, the bill will inhibit the Department for Medicaid Services' (DMS) ability to respond quickly to emergent issues and increase costs.

SB 173 requires approval and oversight of every SPA by the legislature. Additionally, the bill creates a new reporting requirement including an explanation and separate fiscal and budgetary analysis of each state plan amendment (SPA). These provisions will increase the workload of DMS and require additional resources. Although DMS completes budgetary analyses for each SPA, providing a prescriptive report of the budget analysis to the legislature creates a new administrative burden for the Department. The requirements of SB 173, including new reporting requirements and seeking legislative approval for each SPA, will impact DMS' ability to seek and complete federally directed changes and respond quickly to emergencies and new trends in medical treatment or fraud, waste, or abuse.

DMS has needed to act on an urgent basis to implement multiple SPAs since 2023. Examples of SPAs that were needed urgently include SPA 25-0012, which updated and incorporated medication assisted treatment into the Medicaid state plan. SPA 24-005 allowed for interim payments to be made and processed for the Change Healthcare cybersecurity incident, ensuring providers received timely payment despite this incident. DMS has also made rapid SPA requests to assist with reporting about the quality of healthcare provided to children (24-0015), to cover residential neonatal abstinence syndrome (NAS) (23-0026), and to cover some non-prescription medications to comply with federal legislation (23-0009). If SB 173 were to pass, DMS would not be able to act in a timely manner to respond to federal requirements and requests.

The Cabinet is concerned that this bill does not reflect a clear understanding of the current work conducted by DMS to ensure that the public is informed. For example, the bill requires submission of the state plan to the LRC, however, the state plan and all amendments are currently publicly posted on the department's website and have been for many years. In addition, DMS conducts extensive work to inform and comply with new requirements imposed by HB 695 from the 2025 Regular Session. Each time that DMS submits a state plan amendment (SPA) to the federal Centers for Medicare and Medicaid Services (CMS), DMS also

submits all information to the LRC. This includes all SPA materials and submission documents sent to CMS with an accompanying letter that includes a summary of the SPA, an explanation of the necessity of the SPA, and an explanation of its correlation with requirements of KRS 205.5372.

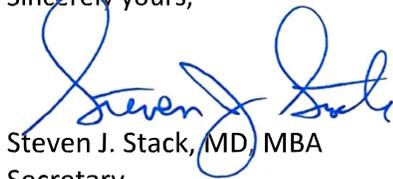
DMS anticipates at least two additional employees would be required to respond to new oversight requirements. The salary and fringe benefits for the two new employees would be \$300,000. In addition, other third-party contracts and expertise may be needed to address the additional oversight and reporting complexities required by the bill. DMS expects the research, drafting, and preparation for standard legislative reports to cost at least \$200,000 each year. There would also be time and attention impacts on senior Medicaid staff and leadership that could require the hiring of additional staff.

Finally, it is important to remember that these new reporting and oversight obligations do not remove the existing state and federal law that establishes and implements the Medicaid program. DMS is still required to submit SPAs in a process established by the federal government. Therefore, this bill creates unnecessary obstacles to DMS carrying out our statutory and constitutional duties as a part of the executive branch.

Given that Kentucky has a part-time legislature, the oversight represented in this bill does not align with the needs to operate the Medicaid program on a day-to-day basis as this bill – and others – attempt to do.

Please reach out to Josh Hardesty (josh.hardesty@ky.gov) if you have questions regarding this matter.

Sincerely yours,

A handwritten signature in blue ink that reads "Steven J. Stack". The signature is fluid and cursive, with the first name "Steven" being larger and more prominent than the last name "Stack".

Steven J. Stack, MD, MBA
Secretary