



CABINET FOR HEALTH
AND FAMILY SERVICES

Budget Overview for the Department for Medicaid Services

Prepared for the Budget Review Subcommittee on Health and Family Services

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Kentucky Medicaid at a Glance

Approximately 1.4 million members

Over 600,000 children – more than half of the children in Kentucky

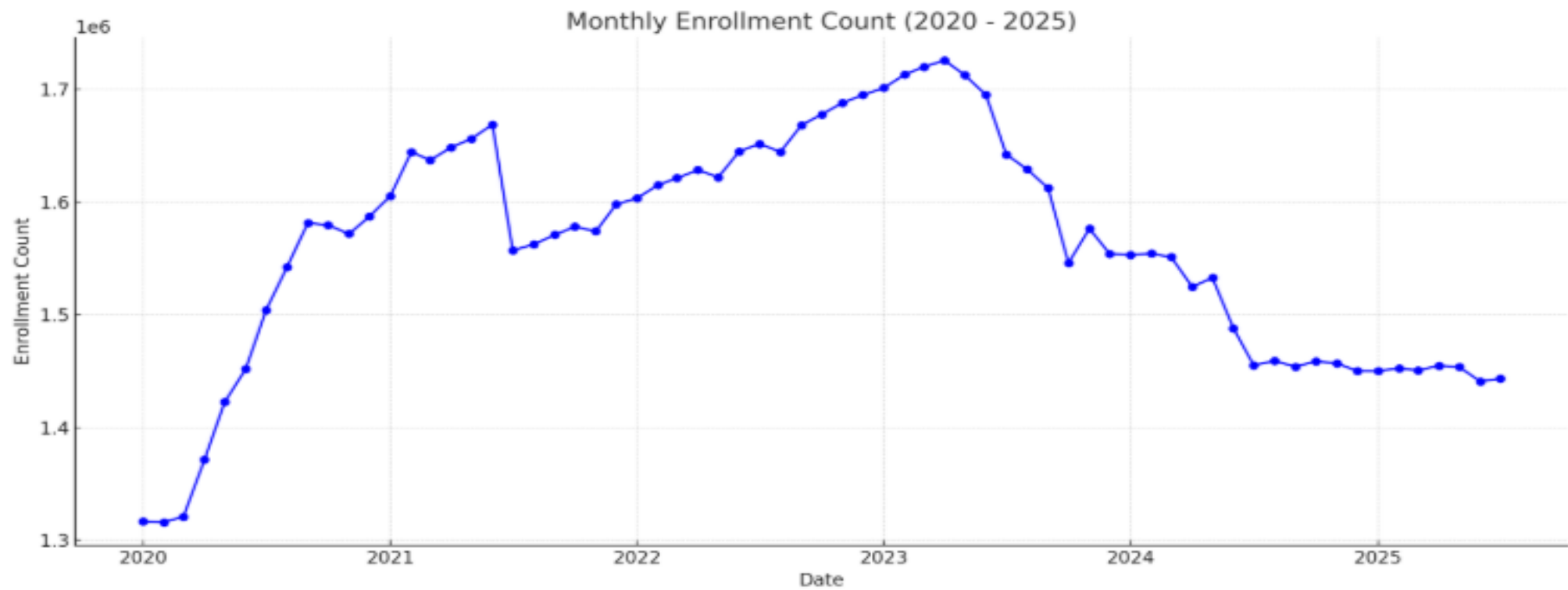
Approximately 450,000 Expansion Members

Over 69,000 enrolled providers

\$20.6 billion in total SFY 2025 expenditures
(Administrative and Benefits combined)

Medicaid Enrollment Trend

January 2020 to July 2025



Medicaid Benefits Budget

Benefits w/KCHIP (Dept 748)

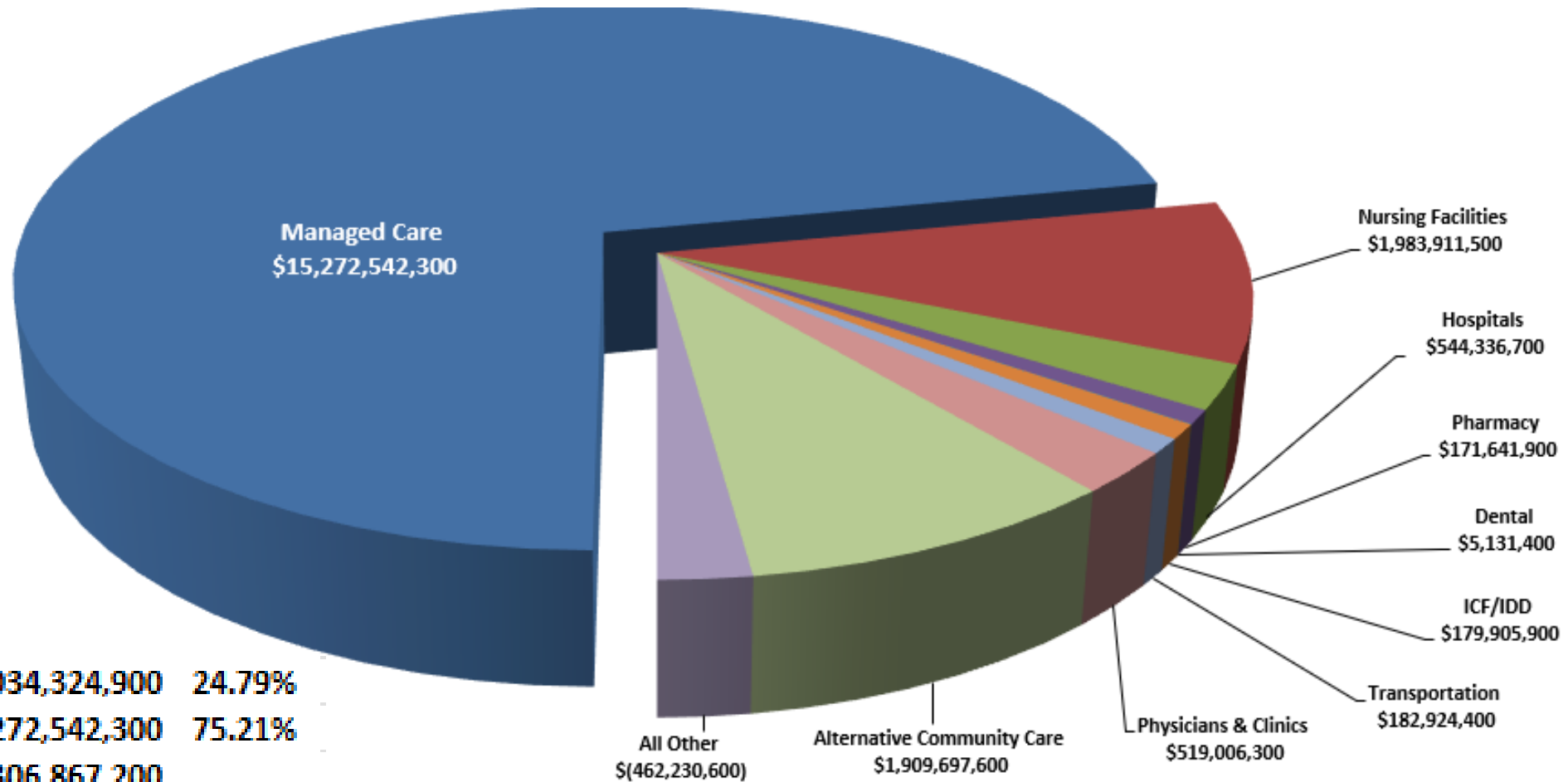
	SFY 2025 Budgeted	SFY 2025 ACTUAL
General Fund	\$2,563,029,800	\$2,563,029,800
Restricted Agency Funds	\$2,160,294,500	\$2,077,046,800
Federal Funds	\$15,697,533,400	\$15,666,790,600
TOTAL	<u>\$20,420,857,700</u>	<u>\$20,306,867,200</u>

Forecasting models were very successful for SFY 2025:

- Actual expenditures were 0.56% lower than the budgeted expenditures.
- State Funds are made up with both General Fund and Restricted Agency Funds. The agency fund appropriations are supported by the agency cash accounts funded with provider taxes and intergovernmental transfers (IGTs).

Medicaid Benefits Budget

(Actual SFY 2025)



Total FFS: \$5,034,324,900 24.79%
Total MCO: \$15,272,542,300 75.21%
Grand Total: \$20,306,867,200

Medicaid Benefits Expenditures

	SFY 2024	SFY 2025	Increase/Decrease	% change from 2024
Managed Care (MCO)	\$ 14,318,543,500	\$ 15,272,542,300	\$ 953,998,800	6.7%
Non-Emergency Medical Transportation (NEMT)	\$ 162,737,100	\$ 174,953,000	\$ 12,215,900	7.5%
Drug Rebate Offset	\$ (1,559,412,800)	\$ (1,487,946,038)	\$ 71,466,762	-4.6%
Fee-For-Service (FFS)	\$ 5,275,237,100	\$ 6,347,318,100	\$ 1,072,081,000	20.3%
	\$ 18,197,104,900	\$ 20,306,867,362	\$ 2,109,762,462	11.6%

- SFY 2025 expenditures increased by \$2.1B (11.6%) over SFY 2024 expenditures.
- Approximately \$831.6M (77.6%) of the FFS spending increase was due to an increase in waiver and nursing facility expenditures.
- The 6.7% increase in managed care payments is related to a increase in State Directed Payments and MCO capitation rates.

State Directed Payments

- Approximately 32.9% of the managed care payments are related to directed payments. The following are the State Directed Payments that totaled \$5.0B paid in SFY 2025:

	SFY 2020	SFY 2021	SFY 2022	SFY 2023	SFY 2024	SFY 2025	<u>Total</u>
Hospital Rate Improvement Program (HRIP)	\$98,359,000	\$781,088,500	\$1,145,677,000	\$1,362,928,400	\$2,469,462,300	\$2,764,551,800	\$8,622,067,000
Ambulance Provider Assessment Program (APAP)	\$0	\$26,248,700	\$41,463,500	\$50,787,300	\$56,383,100	\$62,244,300	\$237,126,900
University Directed Payment (URIP)	\$831,091,500	\$1,162,908,100	\$1,490,850,400	\$1,548,118,300	\$1,853,601,000	\$2,179,000,000	\$9,065,569,300
Kentucky Trauma Hospital Rate Improvement (KTHRI)	\$0	\$0	\$0	\$0	\$0	\$25,522,500	\$25,522,500
	<u>\$929,450,500</u>	<u>\$1,970,245,300</u>	<u>\$2,677,990,900</u>	<u>\$2,961,834,000</u>	<u>\$4,379,446,400</u>	<u>\$5,031,318,600</u>	<u>\$17,950,285,700</u>

Note: This is expected to continue to grow in SFY 2026 due to HB152 and increase in average commercial rates.

1915c Waiver Expenditures

	SFY 2020	SFY 2021	SFY 2022	SFY 2023	SFY 2024	SFY 2025
Supports for Community Living (SCL)	\$ 384,574,700	\$ 384,843,900	\$ 395,915,100	\$ 482,832,100	\$ 505,683,200	\$ 540,073,900
Michelle P	\$ 348,849,500	\$ 333,053,200	\$ 346,373,800	\$ 378,348,000	\$ 415,669,300	\$ 489,652,300
Home & Community Based (HCB)	\$ 176,066,100	\$ 219,349,500	\$ 284,960,900	\$ 521,109,700	\$ 605,514,400	\$ 739,449,300
Model	\$ 2,166,200	\$ 1,548,600	\$ 1,691,700	\$ 1,737,700	\$ 1,410,000	\$ 1,145,300
Brain Injury	\$ 25,580,800	\$ 29,211,300	\$ 26,760,500	\$ 30,477,500	\$ 34,403,200	\$ 36,509,600
Aquired Brain Injury - LTC	\$ 24,738,700	\$ 27,810,000	\$ 31,168,500	\$ 40,428,500	\$ 42,974,300	\$ 45,580,600
	<u>\$ 961,976,000</u>	<u>\$ 995,816,500</u>	<u>\$ 1,086,870,500</u>	<u>\$ 1,454,933,500</u>	<u>\$ 1,605,654,400</u>	<u>\$ 1,852,411,000</u>

- In aggregate, the six Medicaid Waiver programs experienced a \$246.8M (15.4%) increase in total expenditures in SFY 2025 when compared to SFY 2024. This increase is mainly due to the 1915c waiver rate study being implemented in SFY 2025.

Medicaid Benefits Budget

The Medicaid Benefits Budget has grown by \$8.5 billion from SFY 2020 to SFY 2025. Approximately \$6.0 billion (70.7%) of the total growth and \$1.4 billion (63.1%) of the growth in state funds are tied to legislative directives. The following are some of the key factors driving the growth in spend:

<u>Increases from SFY2020 to SFY2025 due to Legislative directives:</u>	<u>Legislation</u>	<u>State Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>	<u>% of Budget Growth</u>
State Directed Payments	20RS-HB8; 21RS-HB1; 23RS-HB448; & 24RS-SB280	\$ 1,062,252,600	\$ 3,785,872,400	\$ 4,848,125,000	57.3%
Nursing Facility Rate Increase - \$29 add-on	22RS-HB1	\$ 41,745,000	\$ 108,255,000	\$ 150,000,000	1.8%
Nursing Facility Rate Increase - Rebasing	24RS-HB6	\$ 62,546,000	\$ 157,454,000	\$ 220,000,000	2.6%
Personal Needs Allowance Increase (\$40 to \$60)	24RS-HB6	\$ 3,775,000	\$ -	\$ 3,775,000	0.0%
Serious Mental Illness Waiver	24RS-HB6	\$ 4,307,100	\$ 10,842,900	\$ 15,150,000	0.2%
SUD 1115 Extension	24RS-HB6	\$ 11,341,400	\$ 28,550,900	\$ 39,892,300	0.5%
Incarceration Waiver	24RS-HB6	\$ 10,649,100	\$ 26,808,100	\$ 37,457,200	0.4%
HCBSw/SMI and SUD	24RS-HB6	\$ 36,500,500	\$ 91,886,900	\$ 128,387,400	1.5%
1915c Waiver - Rate Study	24RS-HB6	\$ 47,051,700	\$ 118,448,300	\$ 165,500,000	2.0%
1915c Waiver - Funding Initiatives	22RS-HB1	\$ 78,876,689	\$ 240,020,641	\$ 318,897,330	3.8%
1915c Waiver - Additional Slots	22RS-HB1 & 24RS-HB6	\$ 15,176,700	\$ 38,460,300	\$ 53,637,000	0.6%
		<u>\$ 1,374,221,789</u>	<u>\$ 4,606,599,441</u>	<u>\$ 5,980,821,230</u>	70.7%

Medicaid Benefits Budget

- **State Directed Payments (SDPs)**: The addition and expansion of State Directed Payments represents 57.3% of the total growth and were directed by specific legislation (i.e. 20RS HB8, 21RS HB183, etc).
- **Nursing Facility Rates**: make up 4.4% of the total growth and were a direct result of language that the general assembly placed in the budget bills. In the 2022-2024 budget bill (22RS HB1) that instructed DMS to increase reimbursement by \$29 per day with the intent that we would rebase rates beginning in SFY 2025 (24RS HB6).
- **1915c Waiver Rate Study**: represents 2.0% of the total growth but these were just implemented on January 1, 2025, and DMS will see a much larger impact in SFY 2026.
- **1915c Waiver legislative funding initiatives**: represents 3.8% of the total growth.
- **Increases in 1915c Waiver slots**: represents 0.6% of the total growth but there is still a large waiting list to manage.
- **Newly authorized waivers**: These are items like the CHILD waiver and re-entry waiver which represent 2.7% of the total growth.
- **Continuous growth** in healthcare cost, increases in utilization, Medicare Part A, B, and D increases, and expansion of the Graduate Medical Education (GME) program helps make up the remaining 30% of the total growth.

**QUESTIONS
and/or
Comments?**