# Kentucky – State Facts & Estimated Impact of 119 HR 1

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## Medicaid At-a-Glance

**Kentucky** Medicaid State Fact Sheet | Commonwealth Fund

## Resources

Health Provisions in the 2025 Federal Budget Reconciliation Bill | KFF (July 8, 2025)

- This tracker summarizes Medicaid, Affordable Care Act, Medicare and Health Savings Account provisions in the 2025 budget reconciliation bill and links to related KFF resources.
- It is current to the enacted legislation and includes effective dates for each provision.

Medicaid Cuts and the States: Tracking State-Specific Estimates of the Impacts of Proposed Changes | SHVS (July 11, 2025)

- This resource compiles estimates from individual state agencies regarding the potential impacts of the federal budget bill on the state Medicaid program. Will be updated to include state-specific estimates of implementation.

Budget Reconciliation Implementation Roadmap | SHVS (July 25, 2025)

- This resource contains implementation timelines across Medicaid and Marketplace provisions in 119 HR 1.

Research to Inform 2025 Reconciliation: Taxes, Safety Net, and Beyond | Urban Institute

- This landing page compiles the organization's analyses of the impact of Medicaid, Marketplace and SNAP provisions, some of which include state-specific analysis.

## Major Medicaid Policies, Scored Federal Savings, Effective Dates

The Congressional Budget Office estimated the following federal savings attributed to the following policies in the Senate Reconciliation Bill as of July 4, 2025 (*please note that this list is not comprehensive):*

*Changes to Expansion Population Eligibility*

- Work or Community Engagement Requirements (*$326 billion*) – Effective December 31, 2026.
- Increasing the Frequency of Eligibility Redeterminations for the Expansion Population (*$62 billion*) – Effective December 31, 2026.
- Cost Sharing (*$7 billion*) – Effective October 1, 2028.

*Limits on Provider Taxes & State Directed Payments*

- Provider Tax Limits *($191 billion*) – New tax limits effective July 4, 2025. Reduction in hold harmless threshold starts January 1, 2028 for expansion states.
- State Directed Payment Limits (*$149 billion*) – New payment limits effective July 4, 2025. Reduction in payment rates starts January 1, 2028.
- Revisions to Provider Tax Waiver Requirements (*$34 billion*) – Effective July 4, 2025 with three year transition period.

*Restrictions on Immigrant Eligibility*

- Reduction in Federal Match for Emergency Medicaid (*$28 billion)* – Effective October 1, 2027.
- Limits on Immigrant Eligibility (*$6 billion*) – Effective October 1, 2026.

*State Funding Opportunities*

- Rural Health Transformation Fund provides $50 billion in grant funds to states – State applications due by December 31, 2025.
    - The grants are administered by CMS.
    - State applications must include a rural health transformation plan.
    - The applying state entity is not specified in 119 HR 1. States may consider applying through the state Medicaid agency.
- States will also be eligible for $200 million in state grants to fund implementation costs associated with work or community engagement requirements.

## Estimated Overall State Impact

KFF estimates that the combined effects of the enacted provisions in 119 HR 1 could result in an average 15% or 22 billion decrease in federal spending in **Kentucky,** ranging from $17 to $28 billion over 10 years.

Manatt and State Health & Value Strategies estimated that the combined effects of Senate Reconciliation Bill (*as of July 1, 2025*) could result in the following effects for **Kentucky**:

- 14.4% reduction in enrollment, equivalent to 210,000 people.
- 18.3% reduction in expenditures, equivalent to $38.4 billion.
- 25.9% reduction in hospital expenditures, equivalent to $26.6 billion.

  *Please note that this analysis may not reflect the final enacted legislation, specifically with respect to new funding opportunities in the bill and the removal of certain provisions related to state-only funded coverage of immigrants. Despite these discrepancies, these analyses are likely reflective of the policies most likely to impact the state of* ***Kentucky****.*

## Estimated State Impact of Specific Provisions

*Changes to Expansion Population Eligibility*

As an expansion state, **Kentucky** would be required to implement work or community engagement requirements and increase the frequency of eligibility determinations from one year to every six months by December 31, 2026. Expansion states like **Kentucky** would also be required to implement cost-sharing for the expansion population by October 1, 2028.

**Kentucky** HB 695 (2025) (Enacted) amends **Kentucky Revised Statutes 205.5371** pertaining to work or community engagement requirements. The newly enacted legislation requires the Cabinet to “implement a mandatory community engagement waiver for able-bodied adults without dependents who have been enrolled in the state's medical assistance program for more than twelve (12) months," and directs the cabinet to submit a Section 1115 waiver application. **Kentucky** issued a public notice of **Kentucky's Community Engagement 1115 Waive**r on May 13, 2025. **Kentucky's** requirements differ from the scope of work or community engagement requirements enacted in 119 HR 1.

The enacted language in 119 HR 1 ***both***:

- Permits states to implement work or community engagement requirements prior to the statutory deadline through Section 1115 waivers; ***and***
- Prohibits states from waiving work or community engagement requirements altogether through Section 1115 waivers.

    *The effect of the legislation on Section 1115 waivers related to work or community engagement requirements that do not align with the newly enacted requirements is not clear*.

*Limits on Provider Taxes*
The enacted legislation reduces the provider tax hold harmless thresholds for both new and existing provider taxes and revises provider tax waiver provisions:

- For ***expansion states***, the hold harmless threshold for ***existing*** provider taxes will be reduced down 0.5% each FY (from 6% down to 3.5%) starting FY 2028 and ending in FY 2032.
    - Taxes that are within the threshold in any given FY will remain in effect at the current percent of net patient revenue.
    - Nursing facilities and intermediate care facilities for individuals with intellectual and developmental disabilities are exempt from the reduction.
- For ***all states***, the hold harmless threshold for all ***new*** provider taxes (including taxes on a new class of health care services) is set at 0% as of July 4, 2025.
- Separate requirements for provider tax waivers.

As an expansion state, **Kentucky** is subject to the reduction in the hold harmless threshold starting in FY 2028.

- According to KFF, **Kentucky** does not have any hospital and/or managed care taxes affected by the reduction in the hold harmless threshold, although other provider types may be affected.
- According to KFF's 2024 Medicaid budget survey, **Kentucky** has three or more provider taxes, none of which exceed 5.5% of net patient revenue.

The **Kentucky Cabinet for Health and Family Services** estimated (*as of February, 2025*) that reducing provider taxes to a 4% net patient revenue threshold could result in a $660 million loss to providers including $19 million loss to Support for Community Living and $69 million loss to Nursing Facilities.

The **Kentucky Cabinet for Health and Family Services** estimated (*as of February, 2025*) that reducing provider taxes to a 3% net patient revenue threshold could result in a $1.4 billion loss to providers.

    *Note that the Kentucky Cabinet for Health and Family Services estimates from February may not reflect estimates based on the enacted provisions in 119 HR 1, specifically enacted exemptions for nursing facilities or intermediate care facilities.*

*Limits on State-Directed Payments to 100% of Medicare, with Existing Payments Grandfathered*
Starting on July 4, 2025, all new state directed payments in expansion states are limited to 100% of the Medicare payment rate or payment rate under the Medicaid state plan.

The following state directed payments are grandfathered in until January 1, 2028:

- Payments approved by CMS prior to May 1, 2025
- Payments for rural hospitals approved by CMS prior to July 4, 2025.
- Payments for which a completed preprint was submitted to CMS prior to July 4, 2025.

Starting January 1, 2028 grandfathered directed payments will be reduced by 10 percentage points until the total payment rate is equal to 100% of Medicare in an expansion state.

According to the Medicaid.gov website, **Kentucky** has 11 approved state directed payment preprints from various ratings years, some of which are related to value-based payments for academic medical centers and hospitals, some of which provide uniform rate increases to emergency ground ambulance providers.

The **Kentucky Cabinet for Health and Family Services** estimated (*as of February, 2025*) that eliminating state-directed payments could put $5.5 billion dollars at risk, $4.4 billion of which are federal funds and $1.1 billion of which are state funds.