

CABINET FOR HEALTH AND FAMILY SERVICES

Department for Medicaid Services

Division of Healthcare Policy

(Amendment)

907 KAR 3:010. Reimbursement for physicians' services.

RELATES TO: KRS 205.560, 205.565, 210.370-210.485, 311.840, 42 C.F.R. 400.203, Part 414, 415.110, 438.2, 440.50, 447.10, 447.200-447.205, 447.325, 42 U.S.C. 1395m, 1395w-4, 1395x(t)(1), 1396a, 1396b, 1396c, 1396d, 1396s

STATUTORY AUTHORITY: KRS 194A.030(2), 194A.050(1), 205.520(3), 205.560

CERTIFICATION STATEMENT:

NECESSITY, FUNCTION, AND CONFORMITY: The Cabinet for Health and Family Services, Department for Medicaid Services, has responsibility to administer the Medicaid program. KRS 205.520(3) authorizes the cabinet, by administrative regulation, to comply with any requirement that may be imposed, or opportunity presented, by federal law to qualify for federal Medicaid funds. This administrative regulation establishes the method of reimbursement for physicians' services by the Medicaid program.

Section 1. Definitions.

- (1) "Add-on code" or "add-on service" means a service designated by a specific CPT code that may be used in conjunction with another CPT code to denote that an adjunctive service has been performed.
- (2) "Anesthesia under medical direction" means a service that is:
 - (a) Directed by an anesthesiologist;
 - (b) Delivered by an appropriate and qualified anesthesia provider, including a certified registered nurse anesthetist; and
 - (c) Provided concurrently to no more than four (4) patients by the anesthesiologist.
- (3) "Assistant surgeon" means a physician who attends and acts as an auxiliary to a physician performing a surgical procedure.
- (4) "Community mental health center" means a facility that meets the community mental health center requirements established in 902 KAR 20:091.
- (5) "CPT code" means a code used for reporting procedures and services performed by physicians and published annually by the American Medical Association in Current Procedural Terminology.
- (6) "Department" means the Department for Medicaid Services or its designee.
- (7) "Direct physician contact" means that the billing physician is physically present with and evaluates, examines, treats, or diagnoses the recipient.
- (8) "Drug" means the definition of "drugs" pursuant to 42 U.S.C. 1395x(t)(1).
- (9) "Federal financial participation" is defined by 42 C.F.R. 400.203.
- (10) "Global period" means the period of time in which related preoperative, intraoperative, and postoperative services and follow-up care for a surgical procedure are customarily provided.
- (11) "Healthcare common procedure coding system" means a collection of codes acknowledged by the Centers for Medicare and Medicaid Services (CMS) that represents procedures or items.
- (12) "Incidental" means that a medical procedure:
 - (a) Is performed at the same time as a primary procedure; and
 - (b)
 1. Requires little additional resources; or
 2. Is clinically integral to the performance of the primary procedure.

- (13) "Integral" means that a medical procedure represents a component of a more complex procedure performed at the same time.
- (14) "Locum tenens physician" means a substitute physician:
- (a) Who temporarily assumes responsibility for the professional practice of a physician participating in the Kentucky Medicaid program; and
 - (b) Whose services are paid under the participating physician's provider number.
- (15) "Major surgery" means a surgical procedure assigned a ninety (90) day global period.
- (16) "Managed care organization" means an entity for which the department has contracted to serve as a managed care organization as defined by 42 C.F.R. 438.2.
- (17) "Medicaid Physician Fee Schedule" means a list, located at <https://chfs.ky.gov/agencies/dms/Pages/feesrates.aspx>, that:
- (a) Contains the current reimbursement rates for physician services established by the department in accordance with this administrative regulation; and
 - (b) Is updated at least annually to include the updates made by the Centers for Medicare and Medicaid Services as required by 42 U.S.C. 1395m and 1395w-4 and 42 C.F.R. Part 414.
- (18) "Minor surgery" means a surgical procedure assigned a ten (10) day global period.
- (19) "Modifier" means a reporting indicator used in conjunction with a CPT code to denote that a medical service or procedure that has been performed has been altered by a specific circumstance while remaining unchanged in its definition or CPT code.
- (20) "Mutually exclusive" means that two (2) procedures:
- (a) Are not reasonably performed in conjunction with each other during the same patient encounter on the same date of service;
 - (b) Represent two (2) methods of performing the same procedure;
 - (c) Represent medically impossible or improbable use of CPT codes; or
 - (d) Are described in Current Procedural Terminology as inappropriate coding of procedure combinations.
- (21) "Pediatric teaching hospital" is defined by KRS 205.565(1).
- (22) "Physician administered drug" or "PAD" means any rebateable covered outpatient drug that is:
- (a) Provided or administered to a Medicaid recipient;
 - (b) Billed by a provider other than a pharmacy provider through the medical benefit, including a provider that is a physician office or another outpatient clinical setting; and
 - (c) An injectable or non-injectable drug furnished incident to provider services that are billed separately to Medicaid.
- (23) "Physician assistant" is defined by KRS 311.840(3).
- (24) "Professional component" means the physician service component of a service or procedure that has both a physician service component and a technical component.
- (25) "Provider group" means at least one licensed physician who:
- (a) Is enrolled with the Medicaid program individually and as a group; and
 - (b) Share the same Medicaid group provider number, if more than one physician is in the group.
- (26) "Relative value unit" or "RVU" means the Medicare-established value assigned to a CPT code that takes into consideration the physician's work, practice expense, and liability insurance.
- (27) "Resource-based relative value scale" or "RBRVS" means the product of the relative value unit (RVU) and a resource-based dollar conversion factor.
- (28) "State university teaching hospital" means:
- (a) A hospital that is owned or operated by a Kentucky state-supported university with a medical school; or
 - (b) A hospital:

1. In which three (3) or more departments or major divisions of the University of Kentucky or University of Louisville medical school are physically located and that are used as the primary (greater than fifty (50) percent) medical teaching facility for the medical students at the University of Kentucky or the University of Louisville; and
 2. That does not possess only a residency program or rotation agreement.
- (29) "Technical component" means the part of a medical procedure performed by a technician, inclusive of all equipment, supplies, and drugs used to perform the procedure.
- (30) "Usual and customary charge" means the uniform amount that a physician charges the general public in the majority of cases for a specific medical procedure or service.

Section 2. Standard Reimbursement.

- (1) Reimbursement for a covered service shall be made to:
 - (a) The individual participating physician who provided the covered service; or
 - (b) The physician:
 1. In a provider group enrolled in the Kentucky Medicaid program; and
 2. Who provided the covered service.
- (2) Except as provided in subsection (3) of this section and Sections 3 through 11 of this administrative regulation, reimbursement for a covered service shall be the lesser of:
 - (a) The physician's usual and customary charge; or
 - (b) The amount specified in the Medicaid Physician Fee Schedule established in accordance with this administrative regulation.
- (3) If there is not an established fee for a listed service in the Medicaid Physician Fee Schedule, the reimbursement shall be forty-five (45) percent of the usual and customary billed charge.

Section 3. Rates Established Using a Relative Value Unit and a Dollar Conversion Factor.

- (1) Except for a service specified in Sections 4 through 10 of this administrative regulation:
 - (a) The rate for a non-anesthesia related covered service shall be established by multiplying RVU by a dollar conversion factor to obtain the RBRVS maximum amount specified in the Medicaid Physician Fee Schedule; and
 - (b) The rate for a covered anesthesia service shall be established by multiplying the dollar conversion factor (designated as X) by the sum of each specific procedure code RVU (designated as Y) plus the number of units spent on that specific procedure (designated as Z). A unit shall equal a fifteen (15) minute increment of time.
- (2) The dollar conversion factor shall be:
 - (a) Fifteen (15) dollars and twenty (20) cents for a nondelivery related anesthesia service; or
 - (b) Twenty-nine (29) dollars and sixty-seven (67) cents for all non-anesthesia related services.

Section 4. Medicare Part B Covered Services. Reimbursement for a service covered under Medicare Part B shall be made in accordance with 907 KAR 1:006, Section 3.

Section 5. Services with a Modifier. Reimbursement for a service denoted by a modifier used in conjunction with a CPT code shall be as established in this section.

- (1) A service reported with a two (2) digit modifier of "51" shall be reimbursed at fifty (50) percent of the fee listed on the Medicaid Physician Fee Schedule for the service.
- (2) A professional component of a service reported by the addition of the two (2) digit modifier "26" shall be reimbursed at the product of:
 - (a) The Medicare value assigned to the physician's work; and
 - (b) The dollar conversion factor specified in Section 3(2) of this administrative regulation.

(3) A technical component of a service reported by the addition of the two (2) letter modifier "TC" shall be reimbursed at the product of:

(a) The Medicare value assigned to the practice expense involved in the performance of the procedure; and

(b) The dollar conversion factor specified in Section 3(2) of this administrative regulation.

(4) A bilateral procedure reported by the addition of the two (2) digit modifier "50" shall be reimbursed at 150 percent of the amount assigned to the CPT code.

(5) An assistant surgeon procedure reported by the addition of the two (2) digit modifier "80" shall be reimbursed at sixteen (16) percent of the allowable fee for the primary surgeon.

(6) A procedure performed by a physician acting as a locum tenens physician for a Medicaid-participating physician reported by the addition of the two (2) character modifier "Q6" shall be reimbursed at the Medicaid Physician Fee Schedule amount for the applicable CPT code.

(7) An evaluation and management telehealth consultation service provided by a telehealth provider or telehealth practitioner in accordance with 907 KAR 3:170 and reported by the appropriate letter modifier, as applicable, shall be reimbursed at the Medicaid Physician Fee Schedule amount for the applicable evaluation and management CPT code.

(8) A level II national healthcare common procedure coding system modifier designating a location on the body shall be reimbursed at the Medicaid Physician Fee Schedule amount for the applicable code.

Section 6. Laboratory, Venipuncture, and Catheter.

(1) Except for a service specified in paragraph (a) or (b) of this subsection, a physician laboratory service shall be reimbursed in accordance with 907 KAR 1:028.

(a) Charges for a laboratory test performed by dipstick or reagent strip or tablet in a physician's office shall be included in the office visit charge.

(b) A routine venipuncture procedure shall not be separately reimbursed if submitted with a charge for an office, hospital, or emergency room visit or in addition to a laboratory test.

(2) Reimbursement for placement of a central venous, arterial, or subclavian catheter shall be:

(a) Included in the fee for the anesthesia if performed by the anesthesiologist;

(b) Included in the fee for the surgery if performed by the surgeon; or

(c) Included in the fee for an office, hospital, or emergency room visit if performed by the same provider.

(3) A laboratory test performed with microscopy shall be reimbursed separately from an evaluation and management CPT code.

Section 7. Delivery-Related Anesthesia, Anesthesia Add-On Services, and Oral Surgery-Related Anesthesia.

(1) The department shall reimburse as follows for the following delivery-related anesthesia services:

(a) For a vaginal delivery, the lesser of:

1. \$215; or

2. The actual billed charge;

(b) For a cesarean section, the lesser of:

1. \$335; or

2. The actual billed charge;

(c) For neuraxial labor anesthesia for a vaginal delivery or cesarean section, the lesser of:

1. \$350; or
 2. The actual billed charge;
- (d) For an additional anesthesia for cesarean delivery following neuraxial labor anesthesia for vaginal delivery, the lesser of:
1. Twenty-five (25) dollars; or
 2. The actual billed charge; or
- (e) For an additional anesthesia for cesarean hysterectomy following neuraxial labor anesthesia, the lesser of:
1. Twenty-five (25) dollars; or
 2. The actual billed charge.
- (2) For an anesthesia add-on service provided to a recipient under the age of one (1) year or over the age of seventy (70) years, the department shall reimburse the lesser of:
- (a) Twenty-five (25) dollars; or
 - (b) The actual billed charge.
- (3) For deep sedation or general anesthesia relating to oral surgery performed by an oral surgeon, the department shall reimburse the lesser of:
- (a) \$150; or
 - (b) The actual billed charge.

Section 8. Medical Direction of Anesthesia and Anesthesia Under Medical Direction Services.

- (1) A provider or facility performing medical direction shall comply with all Medicare requirements to perform medical direction services located in 42 C.F.R. 415.110 and as found in the Medicare Claims Processing Manual, Chapter 12, Section 50, Paragraph C, as those Medicare requirements existed at the time of the applicable claim submission. This is a link to the Medicare Claims Processing Manual, Chapter 12, as it existed in July 2021: <https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/clm104c12.pdf>.
- (2) A reimbursement shall not be made for an anesthesiologist assistant or a student registered nurse anesthetist unless those provider types are:
- (a) Otherwise eligible for licensure or certification;
 - (b) Appropriately enrolled with the department; and
 - (c) If applicable, a managed care organization.

Section 9. Vaccines.

- (1) The department shall reimburse administration of a:
- (a) Pediatric vaccine to a recipient under the age of nineteen (19) years;
 - (b) Department approved vaccines; or
 - (c) Flu vaccine to a recipient of any age.
- (2)
- (a) The department shall reimburse for the cost of a vaccine administered to a recipient under nineteen (19) years of age, in addition to administration of the vaccine, for a vaccine that is administered to a recipient by a provider.
 - (b) For those providers who are enrolled in the Vaccines for Children Program, the department shall not reimburse for the cost of a vaccine if the vaccine is readily available at the provider's facility and free through the Vaccines for Children Program in accordance with 42 U.S.C. 1396s and 907 KAR 1:680.

Section 10. Physician Assistant. Reimbursement for a service provided by a physician assistant shall be seventy-five (75) percent of the amount reimbursable to a physician in accordance with this administrative regulation.

Section 11. Reimbursement Limits and Related Requirements.

- (1) Reimbursement for an anesthesia service shall include:

- (a) Preoperative and postoperative visits;
 - (b) Administration of the anesthetic;
 - (c) Administration of fluids and blood incidental to the anesthesia or surgery;
 - (d) Postoperative pain management until discharge from the recovery area;
 - (e) Preoperative, intraoperative, and postoperative monitoring services; and
 - (f) Insertion of arterial and venous catheters.
- (2) With the exception of an anesthetic, contrast, or neurolytic solution, administration of a substance to a recipient by epidural or spinal injection for the control of chronic pain shall be limited to three (3):
- (a) Injections per date of service; and
 - (b) Dates of service per six (6) month period.
- (3) If related to the surgery and provided by the physician who performs the surgery, reimbursement for a surgical procedure shall include the following:
- (a) A preoperative service;
 - (b) An intraoperative service; and
 - (c) A postoperative service and follow-up care within:
 1. Ninety (90) calendar days following the date of major surgery; or
 2. Ten (10) calendar days following the date of minor surgery.
- (4) Reimbursement for the application of a cast or splint shall be in accordance with 907 KAR 1:104, Section 3(4).
- (5) Multiple surgical procedures performed by a physician during the same operative session shall be reimbursed as follows:
- (a) The major procedure, an add-on code, and other CPT codes approved by the department for billing with units shall be reimbursed in accordance with Section 3(1) (a) or (2)(b) of this administrative regulation; and
 - (b) The additional surgical procedure shall be reimbursed at fifty (50) percent of the amount determined in accordance with Section 3(1)(a) or (2)(b) of this administrative regulation.
- (6) If performed concurrently, separate reimbursement shall not be made for a procedure that has been determined by the department to be incidental, integral, or mutually exclusive to another procedure.
- (7) The department shall not reimburse for an evaluation and management CPT code unless:
- (a) Direct physician contact occurred during the visit; or
 - (b) Direct physician contact is not required in accordance with 907 KAR 3:005, Section 3(2).

Section 12. Other Provider Preventable Conditions. In accordance with 907 KAR 14:005, the department shall not reimburse for other provider preventable conditions.

Section 13. Supplemental Payments.

- (1) In addition to a reimbursement made pursuant to Sections 2 through 11 of this administrative regulation, the department shall make a supplemental payment to a medical school faculty physician:
- (a) Who:
 1. Is licensed to practice medicine or osteopathy in Kentucky;
 2. Is enrolled in the Kentucky Medicaid program in accordance with 907 KAR 1:672;
 3. Is participating in the Kentucky Medicaid program in accordance with 907 KAR 1:671;
 4. Is employed by a state university teaching hospital, a pediatric teaching hospital, or a state university school of medicine that is part of a university health care system; and

5. Agrees to assign his or her Medicaid reimbursement, in accordance with 42 C.F.R. 447.10, to the state university entity with whom the physician is employed; and

(b) For services provided:

1. Directly by the medical school faculty physician; or
2. By a resident working under the supervision of the medical school faculty physician.

(2) A supplemental payment plus other reimbursements made in accordance with this administrative regulation shall:

- (a) Not exceed the physician's charge for the service provided; and
- (b) Be paid directly or indirectly to the medical school.

(3) A supplemental payment made in accordance with this section shall be:

- (a) Based on the funding made available through an intergovernmental transfer of funds for this purpose by a state-supported school of medicine meeting the criteria established in subsection (1) of this section;
- (b) Consistent with the requirements of 42 C.F.R. 447.325; and
- (c) Made on an annual basis.

Section 14. The department shall reimburse for physician administered drugs in accordance with 907 KAR 23:020.

Section 15. Not Applicable to Managed Care Organizations.

- (1) A managed care organization may elect to reimburse the same amount for physician services as the department does.
- (2) A managed care organization shall not be required to reimburse the same amount as established in this administrative regulation for a physician service reimbursed by the department via this administrative regulation.

Section 16. Federal Financial Participation. The department's reimbursement for services pursuant to this administrative regulation shall be contingent upon:

- (1) Receipt of federal financial participation for the reimbursement; and
- (2) Centers for Medicare and Medicaid Services approval for the reimbursement.

Section 17. Appeal Rights.

- (1) An appeal of a department decision regarding a Medicaid recipient based upon an application of this administrative regulation shall be in accordance with 907 KAR 1:563.
- (2) An appeal of a department decision regarding Medicaid eligibility of an individual shall be in accordance with 907 KAR 1:560.
- (3) An appeal of a department decision regarding a Medicaid provider based upon an application of this administrative regulation shall be in accordance with 907 KAR 1:671.

LISA D. LEE, Commissioner

STEVEN J. STACK, MD, MBA, Secretary

APPROVED BY AGENCY: October 6, 2025

FILED WITH LRC: January 7, 2026 at 12:30 p.m.

PUBLIC HEARING AND COMMENT PERIOD: A public hearing on this administrative regulation shall, if requested, be held on March 23, 2026, at 9:00 a.m. using the CHFS Office of Legislative and Regulatory Affairs Zoom meeting room. The Zoom invitation will be emailed to each requestor the week prior to the scheduled hearing. Individuals interested in attending this virtual hearing shall notify this agency in writing by March 16, 2026, five (5) workdays prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. This hearing is open to the public. Any person who attends virtually will be given

an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on this proposed administrative regulation through March 31, 2026. Send written notification of intent to attend the public hearing or written comments on the proposed administrative regulation to the contact person. Pursuant to KRS 13A.280(8), copies of the statement of consideration and, if applicable, the amended after comments version of the administrative regulation shall be made available upon request.

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