

MEDICAID OVERSIGHT AND ADVISORY BOARD

Minutes of the 2nd Meeting of 2025 Interim

July 30, 2025

Call to Order and Roll Call

The second meeting of the Medicaid Oversight and Advisory Board was held on July 30, 2025, at 3:00 PM in Room 154 of the Capitol Annex. Senator Julie Raque Adams, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Ken Fleming, Co-Chair; Senator Julie Raque Adams, Co-Chair; Senators Donald Douglas, Karen Berg, Danny Carroll, and Craig Richardson; Representatives Adam Bowling, Jason Petrie, Mary Lou Marzian, Kimberly Poore Moser, and Wade Williams; Laura Sudkamp (proxy for Allison Ball), Beth Bowling, John Hicks, Lisa Lee, Sheila Schuster, Steven Stack, Tom Stephens, Vickie Yates Glisson, Hollie Harris, Joe Petrey, and Steve Shannon.

Guests: Kathryn Costanza, Program Principal, National Conference of State Legislatures; Nancy Galvagni, President and Chief Executive Officer, Kentucky Hospital Association; Michelle Sanborn, President, Children's Alliance; Matt Holder, M.D., Lee Specialty Clinic; Sarah Carter, Constituent; and Meg Bowden, Constituent.

LRC Staff: Chris Joffrion, Cameron Franey, and DJ Burns.

Approval of Minutes

A motion was made by Representative Marzian and seconded by Representative Moser that the minutes from the June 25, 2025, meeting be approved as written.

Update on Federal Changes to the Medicaid Program

Kathryn Costanza, Program Principal, National Conference of State Legislatures (NCSL), discussed Medicaid provisions including new flexibilities, funding opportunities, and key questions within the federal House Reconciliation 1 (H.R. 1).

In response to Co-Chair Fleming, Ms. Lee stated Kentucky's 1115 Community Engagement waiver has not been approved by the Center for Medicaid Services (CMS), and the Department for Medicaid Services (DMS) is awaiting further instructions from

CMS. She stated the waiver is due before the January 1, 2027, effective date for work requirements and if needed, an extension can be requested.

In response to Co-Chair Fleming, Ms. Costanza stated beginning on January 1, 2028, the provider tax rate is capped at 5.5 percent and will be reduced by .5 percent annually for five years until it reaches the 3.5 percent threshold. She stated she could not comment on the numbers from the Kaiser family foundation survey in the presentation, but Ms. Lee would have more updated numbers on the effect of the provider tax reduction in Kentucky.

In response to Chair Adams, Ms. Costanza stated without a waiver, states will be required to redetermine eligibility every six months and currently many states contract with third party vendors to assist in eligibility determinations. She stated most administrative duties are a 50/50 federal/state shared cost, but when implementing new provisions and upgrading systems, states may be able to do a 90/10 federal/state shared cost. She stated statistics on costs from other states that have implemented the 6-month redetermination timeline were available, and she would provide those later.

In response to Co-Chair Fleming, Dr. Stack stated with H.R. 1 being a new law as of July 1, 2025, states are still awaiting guidance on the application process for the Rural Health Transformation Fund. He stated a survey has been sent out to stakeholders to solicit proposals for the funds, and CHFS is awaiting responses.

In response to Chair Raque Adams, Dr. Stack stated the Rural Health Transformation Fund states funds can be used for substance abuse treatment and transportation for follow up appointments.

In response to Ms. Yates Glisson, Ms. Costanza stated NCSL has heard from stakeholders that CMS has made guidance on the Rural Health Transformation Fund a priority and hopefully will be out in the coming weeks.

In response to Representative Marzian, Ms. Costanza stated, without implementing the new redetermination guidelines, the cost for states cannot be determined. She stated she would share the cost studies previously mentioned after the meeting.

State Directed Payments, Provider Taxes, and the Rural Health Transformation Fund: How Medicaid Changes Could Impact Kentucky Hospitals

Nancy Galvagni, President and Chief Executive Officer, Kentucky Hospital Association (KHA), discussed the Hospital Improvement Rate Program (HRIP) and the effects H.R. 1 will have on both HRIP and Kentucky hospitals.

In response to Chair Raque Adams, Ms. Galvagni stated delegates are lobbying for changes to H.R. 1.

In response to Representative Marzian, Ms. Galvagni stated in the Sheps Center at the University of North Carolina study referenced, 35 rural hospitals could face closure due to the changes in H.R. 1, though closures may not be immediate, many hospitals will close departments to mitigate the loss in Medicaid payments. She stated she could not speculate on which Kentucky hospitals could be at risk due to the changes.

In response to Co-Chair Fleming, Ms. Galvagni stated a Board Committee has been formed and will take input from all 128 KHA members to collaborate with CHFS on suggestions for the Rural Health Transformation Fund.

In response to Senator Berg, Ms. Galvagni stated hospitals are using HRIP funds to increase pay for staff and losing those funds will cause staff to leave, causing a workforce shortage.

Public Comments

Michelle Sanborn, President, Children's Alliance, discussed recommendations for the board, including requiring Medicaid Fee schedules be posted no later than March 1 every year and to increase Medicaid behavioral health rates to 100% of the Medicare rate.

Matt Holder, M.D., Lee Specialty Clinic, discussed outpatient care for Medicaid patients with intellectual disabilities.

Sarah Carter, Constituent, gave testimony on her personal experience with Medicaid as a single mother and college student.

Meg Bowden, Constituent, gave personal testimony on her experience with Medicaid as the parent of a child with a disability.

Announcements

Chair Raque Adams announced that extra meetings are possible in the coming months.

Adjournment

There being no further business, the meeting was adjourned at 4:50 PM.