

1 AN ACT relating to the establishment of a Medicaid state-directed payment
2 program.

3 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

4 ➔Section 1. KRS 205.6412 is amended to read as follows:

5 To the extent permitted under federal law and in addition to, and separate from, the
6 programs developed pursuant to KRS 205.6406, the department shall develop
7 programs~~[a program]~~ to improve quality of and access to care for residents of the
8 Commonwealth enrolled in the state's Medicaid program by increasing Medicaid
9 reimbursement rates for qualifying hospitals in accordance with the following:

10 (1)~~[(a)]~~ A qualifying hospital shall be eligible to earn enhanced add-on payments from
11 Medicaid managed care organizations based on the qualifying hospital's average
12 commercial rate for services provided, including but not limited to inpatient
13 hospital services, outpatient hospital services, and professional services, if the
14 qualifying hospital:

15 (a) 1. ~~[a.]~~ Is a participant in the hospital rate improvement program
16 developed pursuant to KRS 205.6406;

17 2.~~[b.]~~ Is a Level II, III, or IV trauma center;

18 3.~~[c.]~~ Is located in a county in which the percentage of the county's population
19 enrolled in the state's Medicaid program exceeds the statewide median
20 Medicaid enrollment percentage for all counties as posted by the
21 Cabinet for Health and Family Services in the December edition of the
22 Monthly Medicaid Counts by County report for the calendar year
23 preceding the year in which the preprint is submitted; and

24 4.~~[d.]~~ Has an agreement for clinical rotations to train providers with a
25 university-affiliated graduate medical education program; or

26 (b)~~[2.]~~ Is a pediatric teaching hospital as defined in KRS 205.565, except that a
27 hospital qualifying for enhanced add-on payments under this subparagraph

1 shall only be eligible to receive enhanced add-on payments for services
2 delivered to a patient who is eighteen (18) years of age or younger;

3 **(2) (a) Within sixty (60) days after the effective date of this Act, the Department for**
4 **Medicaid Services shall submit a Medicaid preprint with a January 1, 2026,**
5 **effective date to the federal Centers for Medicare and Medicaid Services**
6 **seeking authorization to implement the state-directed payment program**
7 **described in this subsection.**

8 **(b) If the preprint required to be submitted under paragraph (a) of this**
9 **subsection is approved by the federal Centers for Medicare and Medicaid**
10 **Services, a qualifying hospital shall be eligible to earn enhanced add-on**
11 **payments from Medicaid managed care organizations based on the**
12 **equivalent Medicare rate for services, including but not limited to physician**
13 **and nonphysician professional services, provided to Medicaid beneficiaries**
14 **by the qualifying hospital's affiliated physician groups or physicians or**
15 **other professionals employed by or contracted with the qualifying hospital if**
16 **the qualifying hospital has an agreement to train providers with a state-**
17 **owned university-affiliated graduate medical education program;**

18 **(3) For state-directed payments authorized under this section:**

19 ~~(a)~~~~(b)~~ There shall be an identified source of funding, which shall be separate
20 from the assessment authorized in KRS 205.6406 and shall not be from the
21 general fund, for the nonfederal share that is in compliance with the
22 requirements of the United States Centers for Medicare and Medicaid
23 Services;

24 ~~(b)~~~~(c)~~ A qualifying hospital shall be required to report the same quality
25 measures as are applicable under:

26 **1.** The state university teaching hospital Medicaid directed payment plan
27 **for the payment program authorized under subsection (1) of this**

1 section; and

2 2. Similarly approved payment programs active in the Commonwealth
 3 for the payment program authorized under subsection (2) of this
 4 section; and

5 ~~(c)(d)~~ Reimbursement for qualifying hospitals under this section shall only
 6 apply to patients covered by a Medicaid managed care organization; ~~[-]~~

7 ~~(4)(2)~~ The state-~~directed~~ payment programs ~~[program]~~ authorized under
 8 this section shall be separate and distinct from any state-~~directed~~ payment
 9 program authorized under KRS 205.6406, and the department shall only implement
 10 the program described in this section if:

11 (a) Medicaid documentation required for federal financial participation is
 12 approved by the United States Centers for Medicare and Medicaid Services; ~~[-]~~
 13 ~~and~~

14 (b) The United States Centers for Medicare and Medicaid Services agrees to
 15 consider the program through its own preprint and without affecting or
 16 altering any other state-~~directed~~ payment program; ~~and~~ ~~[-]~~

17 (c) 1. A source of funding that complies with subsection (3)(a) of this section
 18 has been identified and is available to meet the requirement for the
 19 nonfederal share or state match funds for a state-directed payment
 20 program.

21 2. If a source of funding for the nonfederal share or state match funds
 22 required for a state-directed payment program becomes unavailable,
 23 the department shall terminate the state-directed payment program;

24 ~~(5)(3)~~ If the federal Centers for Medicare and Medicaid Services or any other
 25 federal agency at any time after the effective date of this Act seeks, for any
 26 reason, to recoup funds associated with a state-directed payment program
 27 authorized under this section:

