

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2025 REGULAR SESSION**

MEASURE

2025 BR NUMBER 280

HOUSE BILL NUMBER 695/HCS1

TITLE AN ACT relating to the Medicaid program and declaring an emergency.

SPONSOR Representative Adam Bowling

FISCAL SUMMARY

STATE FISCAL IMPACT: YES NO UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ACTUARIAL ANALYSIS
 LOCAL MANDATE CORRECTIONS IMPACT HEALTH BENEFIT MANDATE STATE
EMPLOYEE HEALTH PLAN IMPACT

APPROPRIATION UNIT(S) IMPACTED: Medicaid Services; Finance and Administration

FUND(S) IMPACTED: GENERAL ROAD FEDERAL RESTRICTED _____

FISCAL ESTIMATES	2024-2025	2025-2026	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES			
EXPENDITURES			Indeterminable
NET EFFECT			Indeterminable

() indicates a decrease/negative

PURPOSE OF MEASURE: The legislation prohibits the Department for Medicaid Services (DMS) from making any changes to eligibility, coverage, or benefits in the Medicaid program without authorization from the General Assembly; authorizes and directs the DMS to apply for a waiver to establish a community engagement program for able-bodied Medicaid beneficiaries without dependents; establishes the Kentucky Medicaid pharmaceutical rebate fund as a restricted fund within the Finance and Administration Cabinet and requires all money received as rebates from pharmaceutical drug manufacturers by the DMS to be deposited in the fund; establishes that any moneys in the Kentucky Medicaid pharmaceutical rebate fund at the close of state fiscal year 2024-2025 and state fiscal year 2025-2026 shall not lapse and shall be carried forward into the next fiscal year; establishes various reporting requirements; establishes data retention requirements; requires the DMS and managed care organizations (MCO) to provide coverage and reimbursement for no more than 400 units or 100 hours per member per year and no more than four units or one hour per day of psychoeducational services; requires the DMS to reinstate all prior authorization requirements for behavioral health services that were in effect prior to January 1, 2020; requires the DMS to procure new Medicaid MCO contracts with an

effective date of no later than January 1, 2027; requires MCOs to develop and make publicly available a behavioral health services scorecard; and provides for an emergency clause.

FISCAL EXPLANATION: The fiscal analysis estimates the impact related to the expenditures for the Department for Medicaid Services and the Finance and Administration Cabinet.

Department for Medicaid Services

The fiscal impact for the Department for Medicaid Services is indeterminable. The legislation specifies the number of units or hours of psychoeducational behavioral health services that may be covered by the DMS and MCOs. Although the level of services established under the legislation may be less than that currently provided by the Kentucky Medicaid program, coverage for psychoeducational behavioral health services is not eliminated. Therefore, costs will continue to be incurred for coverage of those services. However, it cannot be determined what the costs may be.

The legislation establishes reporting requirements for the Cabinet for Health and Family Services (CHFS) and the DMS. While there are new reports required, the majority are Medicaid program and MCO reports that historically have been included as requirements in the Executive Branch biennial budget bill, and others related to provider taxes are routinely gathered, so these would not represent any new data gathering activities and related costs for the DMS. There are new reporting requirements related to demographic data and enrollment frequency for Medicaid eligibles; however, this data is also captured and readily available within the Cabinet and represents no additional related costs.

The legislation also requires the reinstatement of all prior authorizations in effect prior to January 1, 2020. Research indicates that prior authorization can serve to reduce healthcare spending for some services, items, and medications. However, it cannot be determined what, if any, effect on expenditures may occur in the Kentucky Medicaid program.

Finance and Administration Cabinet

Based on similar legislation, there may be costs incurred by the Finance and Administration Cabinet (FAC) related to modifications to the information technology (IT) system to set up the Kentucky Medicaid pharmaceutical rebate fund. The FAC has reported that costs would be incurred to make programming modifications to configure its IT system to accommodate and denote a new fund for collections of any money. The FAC historically has estimated costs from \$200,000 to \$500,000 depending on the scale of the IT modifications needed and the number of staff needed to implement the modifications.

DATA SOURCE(S): LRC Staff

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