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

MEASURE

2025 BR NUMBER 280 HOUSE BILL NUMBER 695/SCS 1

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

SPONSOR Senator Christian McDaniel

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

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, except for changes required under federal direction or those related to payment programs for university hospitals; 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 Cabinet for Health and Family Services (CHFS, Cabinet) and requires all money received as rebates from pharmaceutical drug manufacturers by the DMS to be deposited in the fund; establishes that moneys deposited in the Kentucky Medicaid pharmaceutical fund be expended in accordance with federal law to provide Medicaid covered services; requires DMS to monitor utilization rates and expenditures for behavioral health and substance use disorder (SUD) services and report to the Legislative Research Commission (LRC) on any service for which the utilization rate or expenditures increase by more than 10 percent over the previous calendar year; limits the number of Medicaid managed care (MCO) contracts to no more than three effective January 1, 2027; establishes various reporting requirements; establishes data retention requirements; requires the DMS to reinstate all prior authorization requirements for behavioral health services that were in effect prior to January 1, 2020, and allows individuals receiving behavioral health services prior to the effective date of the legislation to continue to receive those services for 180 days without prior authorization; requires the CHFS to develop a behavioral health and SUD treatment services scorecard to be used by all contracted MCOs; requires the CHFS to conduct a feasibility study for managed long-term services and supports; and provides for an emergency clause.

FISCAL EXPLANATION: The fiscal impact of the legislation is indeterminable. The legislation establishes reporting requirements for the Cabinet 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 for behavioral health services in effect prior to January 1, 2020, but allows Medicaid eligibles currently receiving behavioral health services to continue receiving those services for 180 days without a prior authorization. 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.

The legislation limits the number of MCO contracts to no more than three, effective January 1, 2027. The Cabinet has previously estimated that the DMS would incur procurement related costs of $2.8 million total, with $1.4 million in General Fund and $1.4 million in Federal Funds. However, the Cabinet did not specify how the estimate was derived. Given the lack of data, the fiscal effect is indeterminable.

The legislation requires the DMS to develop a behavioral health and SUD treatment services scorecard to be used by all contracted MCOs and to conduct a feasibility study for managed long-term services and supports. There may be some costs incurred related to staffing to develop the scorecard and to conduct the feasibility study. However, those costs should be able to be absorbed within the Cabinet’s existing budget.

DATA SOURCE(S): **Cabinet for Health and Family Services; LRC Staff**
PREPARER: **Miriam Fordham** **NOTE NUMBER**: **184** **REVIEW**: **JMR** **DATE**: **3/12/2025**