

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2026 REGULAR SESSION**

MEASURE

2026 BR NUMBER 1325

HOUSE BILL NUMBER 2

TITLE AN ACT relating to Medicaid, making an appropriation therefor, and declaring an emergency.

SPONSOR Representative Ken Fleming

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: Department for Medicaid Services, Legislative Research
Commission, University of Kentucky, University of Louisville, Auditor of Public Accounts; Budget
Reserve Trust Fund

FUND(S) IMPACTED: ☒ GENERAL ☐ ROAD ☒ FEDERAL ☒ RESTRICTED Medicaid Managed
Care Organization Compliance Fund

FISCAL ESTIMATES	2025-2026	2026-2027	2027-2028	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES				
EXPENDITURES	\$500,000	See Explanation	See Explanation	See Explanation
NET EFFECT	(\$500,000)	See Explanation	See Explanation	See Explanation

() indicates a decrease/negative

PURPOSE OF MEASURE: The proposed legislation makes several provisions regarding Medicaid services including requirements for community engagement, eligibility determinations, non-emergency medical transportation, home and community-based waivers, and dental services. The legislation also establishes requirements for Medicaid managed care organizations (MCO) including MCO contracts and penalties for certain contract violations, MCO website content, provider appeals, and establishes a fund for the collection of any fines or penalties for MCO contract violations. In addition, the measure makes several provisions regarding the Legislative Research Commission (LRC) including establishment of a healthcare dashboard in partnership with the University of Kentucky (UK) and the University of Louisville (UofL), data sharing agreements, contracting for fiscal analyses services, and the Medicaid Oversight and Advisory Board (MOAB). The measure also requires an audit of the Kentucky Medicaid program to be conducted every five years by the Auditor of Public Accounts.

FISCAL EXPLANATION:

Department for Medicaid Services

The analysis focuses on the costs incurred by the Department for Medicaid Services (DMS) due to provisions related to community engagement, cost sharing, Medicaid eligibility determinations, non-emergency medical transportation services (NEMT), waiver services, and dental services.

Community Engagement

House Bill (HB) 2 codifies the federal community engagement requirements for those in the Medicaid expansion eligibility group as established under H.R. 1 (P.L. 119-21). DMS estimates that the community engagement requirements will result in a reduced enrollment of 4,295 individuals in fiscal year (FY) 2027 and 9,660 individuals in FY 2028. The federal Medical Assistance Percentage (FMAP) varies by the Medicaid eligibility group with the match rate for Medicaid expansion group at 90/10. Based on a per member per month (PMPM) of \$1,204 as reported for FY 2026 (LRC Medicaid Quarterly Report) or \$14,449 on an annual basis, there would be reduced expenditures of \$62.1 million in FY 2027, with \$6.2 million accounted for by General Fund and \$55.9 million accounted for by Federal Funds, and \$139.6 million in FY 2028, with \$13.9 accounted for by General Fund and \$125.6 accounted for by Federal Funds.

The above analysis is based on the DMS estimates of Medicaid disenrollment due to the requirements as contained in H.R. 1. Staff is unable to determine the fiscal impact of the provisions included in HB 2 regarding community engagement requirements that are outside of those under H.R. 1.

Cost Sharing

H.R. 1 requires that states impose cost sharing for specified Medicaid eligibles for certain services effective October 1, 2028. The proposed legislation codifies the federal cost sharing requirements as established under H.R.1 and advances the federally mandated implementation date to January 1, 2027. DMS provided legislative testimony that the agency would not need funding for information technology (IT) system changes until the 2028-2030 fiscal biennium to accommodate implementation of the cost sharing requirements under H.R. 1. The advanced implementation date as provided for under HB 2 may result in increased IT related costs that otherwise would have been delayed; however, staff is unable to determine what, if any, additional costs may be incurred.

In general, implementation of cost sharing in health insurance plans can serve to decrease utilization of nonessential health services by enrollees and foster more efficient use of health resources. However, staff is unable to determine the fiscal impact of the cost sharing provisions included in HB 2.

Eligibility Determinations

DMS estimates that the requirements for more frequent eligibility determinations among the Medicaid expansion group will result in a reduced enrollment of 18,879 individuals in fiscal year FY 2028. Again, based on a PMPM of \$1,204, or \$14,449 on an annual basis and an FMAP of 90/10, there would be reduced expenditures of \$272.8 million in FY 2028, with \$27.3 million accounted for by General Fund and \$245.5 million accounted for by Federal Funds.

Non-Emergency Medical Transportation Services (NEMT)

DMS estimates that the NEMT related provisions would result in increased costs of \$800,000 with \$400,000 accounted for by General Fund and \$400,000 accounted for by Federal Funds in the first year of implementation and ongoing costs of \$550,000 with \$277,500 accounted for by General Fund and \$277,500 accounted for by Federal Funds. First year costs are estimated at \$320,000 for the installation of GPS monitors and \$480,000 for GPS monitoring of the NEMT vehicles with ongoing costs of \$480,000 for GPS monitoring and \$75,000 for replacement of the GPS units annually.

Waiver Services

HB 2 makes several provisions regarding home and community-based waiver services including requirements for waiver eligibility assessments and management of waiver wait lists. The estimated impact of these provisions is indeterminable. There would likely be increased costs which would not be able to be absorbed with the agency's current resources for staffing to conduct the required assessment activities for individuals enrolled in the waiver program. The wait list management provisions are not dissimilar to the findings and recommendations contained in a report made by the agency to the General Assembly. DMS did not indicate in the report that additional funding would be needed to implement modifications to management of the waiver wait lists.

Dental Services

The measure requires DMS to establish a dental administrative services organization (ASO) for the delivery of dental services for the state's Medicaid program beginning January 2028 and to hire a full-time Medicaid dental director by July 2027. The estimated impact of these provisions is indeterminable. However, DMS estimated costs of \$7.2 million for a two-year dental ASO pilot program. DMS indicated that there would be a 50/50 FMAP with \$3.6 million accounted for by General Fund and \$3.6 million in Federal Funds. The cost estimate included \$300,000 in salary for the Medicaid dental director and \$6.9 million to design, implement, and transition Medicaid members from an MCO to a dental ASO.

Overall, the fiscal impact of the measure cannot be determined. The proposed legislation includes provisions that may result in decreased Medicaid expenditures. However, those decreased costs may be offset by increased expenditures associated with other provisions. Any potential cost savings cannot be discerned.

Legislative Research Commission (LRC)

The proposed legislation makes provisions requiring LRC, UK, and UofL to enter into a partnership to design and develop a web-based healthcare transparency dashboard that will be maintained by the LRC. The measure also requires that the LRC contract with an economic consulting firm to conduct analyses of all proposed legislation to determine any possible fiscal impacts to Kentucky's Medicaid program and provide a fiscal impact statement for the General Assembly. HB 2 also allows MOAB to appoint individuals who are not members of the General Assembly to an advisory committee or subcommittee of the MOAB.

The estimated impact of these provisions is indeterminable. The LRC will have to contract with both UK and UofL to ensure that the requirements of the dashboard meet those of the subcommittee that will be established. The LRC is likely to be able to absorb the staff time necessary for the maintenance and operation of the dashboard. The LRC would also be required to contract with an economic consulting firm to conduct the required Medicaid impact statements. The costs for the ongoing contract would likely require additional funding. The LRC is likely to be able to absorb any costs associated with the staff time necessary for the contract oversight activities. Citizen members of any advisory committee or subcommittee of the MOAB would be entitled to reimbursement for expenses incurred in the performance of duties. The reimbursement would include travel expenses incurred for meetings and is estimated to be less than \$100 per member per meeting.

Auditor of Public Accounts

The measure appropriates \$500,000 from the Budget Reserve Trust Fund in FY 2026 to the Auditor's Office to carry out the audit activities as required under the measure.

DATA SOURCE(S): CHFS/DMS, OSBD, LRC Quarterly Report - FY26(Q1), LRC Staff
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