

**TEAM
KENTUCKY**®

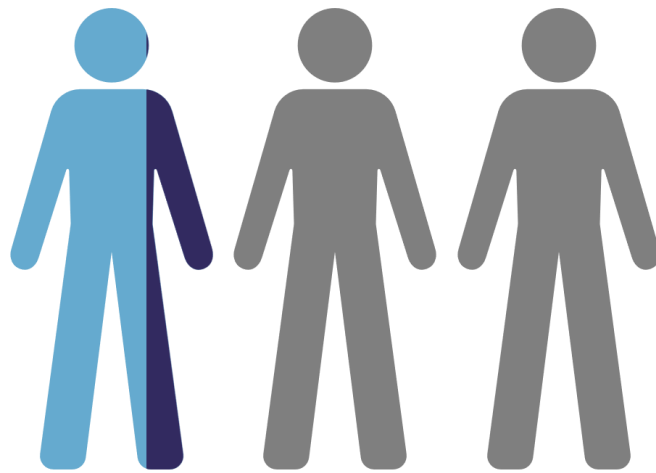
**CABINET FOR HEALTH
AND FAMILY SERVICES**

IMPACT OF CONGRESSIONAL BUDGET PROPOSALS TO KENTUCKY MEDICAID

MEDICAID COVERS ~1.5M KENTUCKIANS

Total KY Population: ~4.5M

Medicaid Covers ~33% of Kentuckians



Traditional: ~1M Kentuckians (~66% of all Medicaid members)

Expansion: ~500K Kentuckians (~34% of all Medicaid members)

MEDICAID SERVES

- Low- and moderate-income children and parents
- Other low-income adults
- Aged, blind, and disabled – including those with serious mental illness and development disabilities
- Elderly and disabled who require long-term care

Medicaid Provides Crucial Services to Kentuckians



HOSPITAL CARE



BEHAVIORAL HEALTH

(Including services for those with serious mental illness and treatment of substance use disorders)



PHYSICIAN CARE

(Includes primary care, specialty, and dental)



COMMUNITY-BASED SERVICES

FOR INDIVIDUALS WITH DEVELOPMENTAL DISABILITIES



PRESCRIPTION DRUGS



LONG-TERM NURSING CARE

IN NURSING FACILITIES

(Medicaid is primary payer – not covered by Medicare)



MATERNAL HEALTH

(Covers > 30% of births in KY)

Currently, Federal Government Funds
3/4 of the Kentucky Medicaid Budget


Total Kentucky Medicaid Budget:
\$20 billion

Federal Government Funds: \$15.4 billion



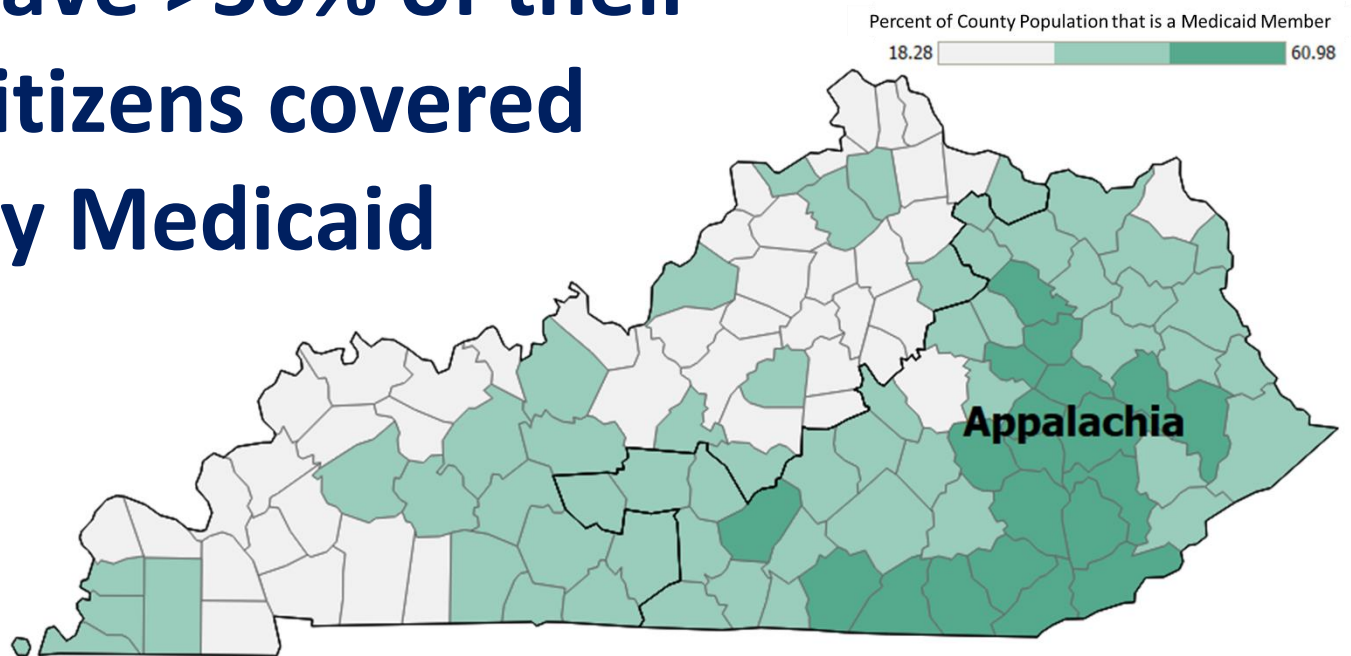
Kentucky Funds: \$4.6 billion



1  = 5B

Medicaid Covers a Large Percentage of Appalachia

Kentucky Medicaid covers citizens in every county, but 11 counties have >50% of their citizens covered by Medicaid



The highest percentage of the population that utilizes Medicaid is in Appalachia

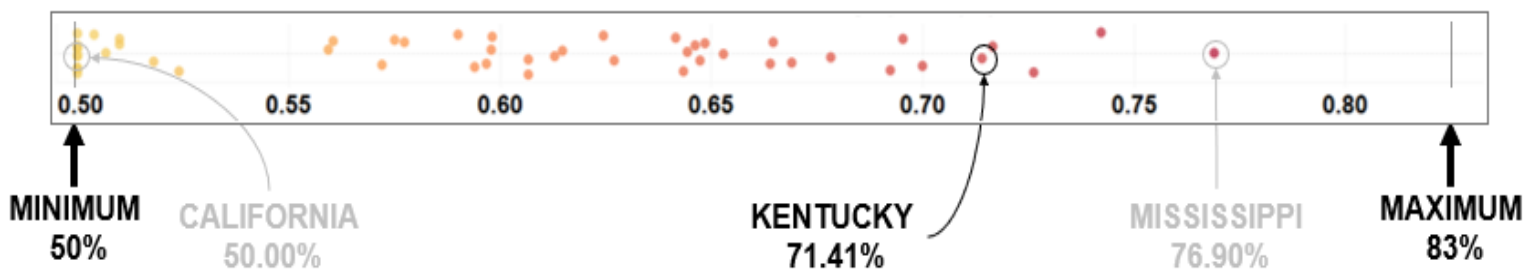
FMAP Reduction Proposal

What is the Federal Medical Assistance Percentage (FMAP)?

The Medicaid program is a federal-state partnership. The federal government pays a specified percentage of a state's program cost called the Federal Medical Assistance Percentage (FMAP). The percentage is based on a state's average income per person, also known as per capita income. States with lower per capita incomes have higher FMAPs.

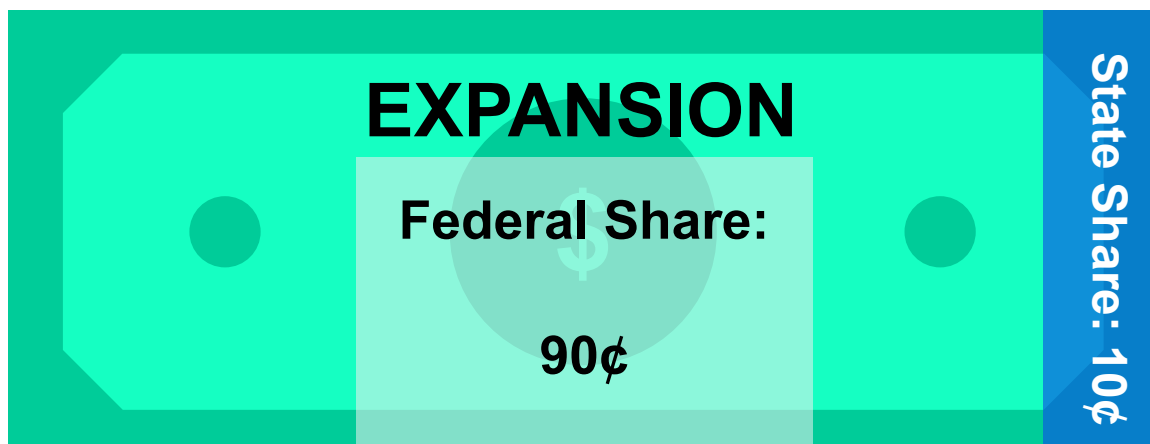
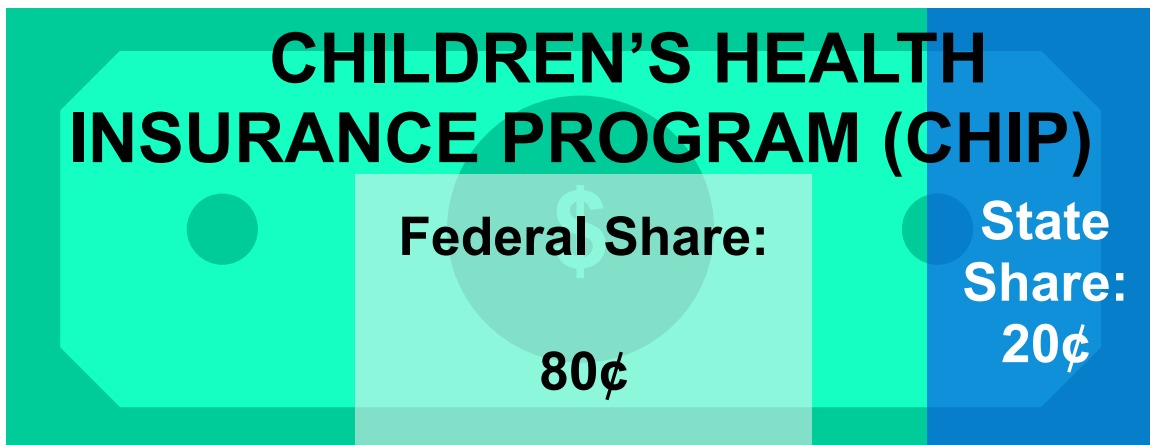
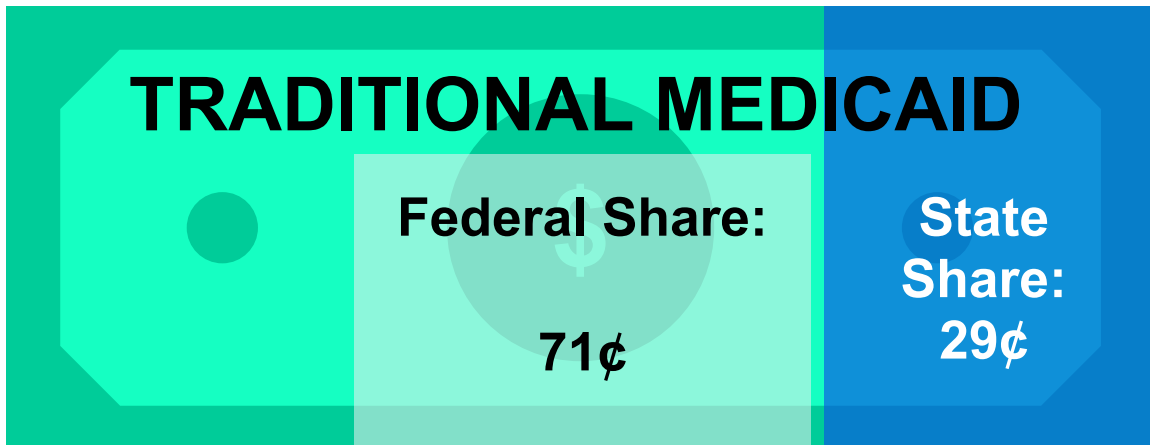
Kentucky has the 5th highest FMAP in the US

FFY26 Federal Medical Assistance Percentage (FMAP) for Traditional Medicaid



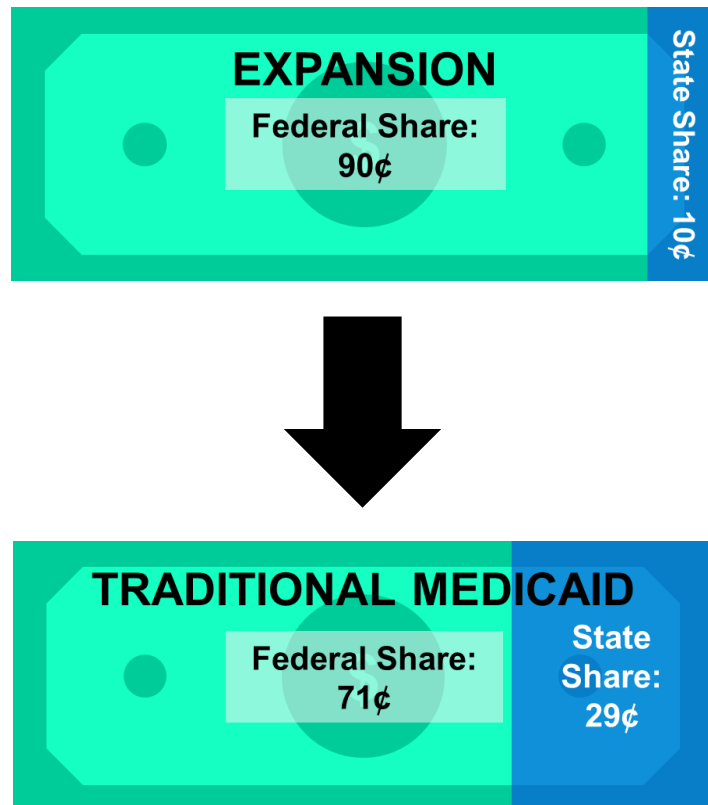
Kentucky's Current FMAP Share

For every dollar, the federal share and state share split is shown below based on the population.



FMAP Reduction Proposal

Scenario 1: Lowering Expansion FMAP (90%) to match Traditional FMAP (71.4%)



Kentucky loses \$1.4 billion in federal dollars

Kentucky would have to use more state dollars or cut Medicaid eligibility, services or provider rates

FMAP Reduction Proposal

Scenario 2: Lowering Administrative FMAP Enhanced Funding

For administrative costs, Kentucky currently receives 50% FMAP for Traditional and Expansion, and 80.04% FMAP for CHIP.

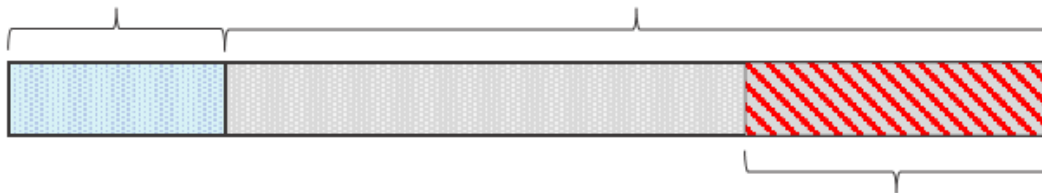
For information technology costs, Kentucky receives 90% FMAP for design and development, and 75% FMAP for maintenance and operations.

Reducing the FMAP to 50% for all administrative costs would result in an annual loss of \$50 million in federal funds.

\$170 Million Total Current Funding per Year

State Share:
\$35 million

Federal Share:
\$135 million



**\$50 million Loss of Federal
Funding per Year
(29% of Total Current
Funding)**

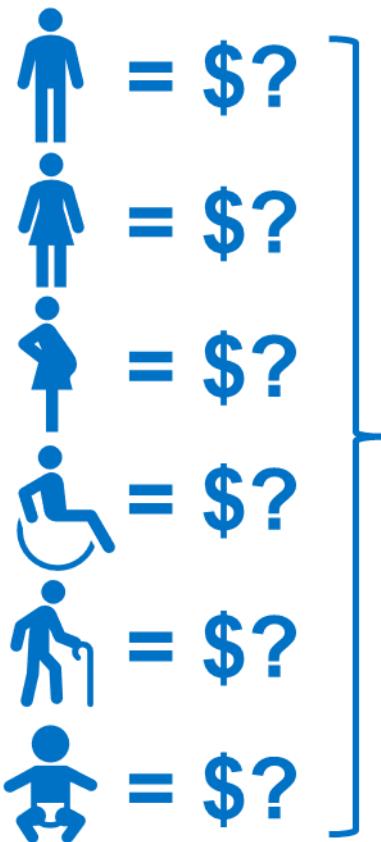
**Kentucky would have to use more state dollars or cut
Medicaid eligibility, services or provider rates**

FMAP Reduction Proposal

Scenario 3: Per capita caps on Federal Matching

One option under discussion would set a fixed amount for each beneficiary, also known as a per capita cap, and adjust that amount annually based on a pre-set inflationary rate.

States would be wholly responsible for any costs per beneficiary that exceed this cap.



TOTAL IMPACT?
UNKNOWN

FMAP Reduction Proposal

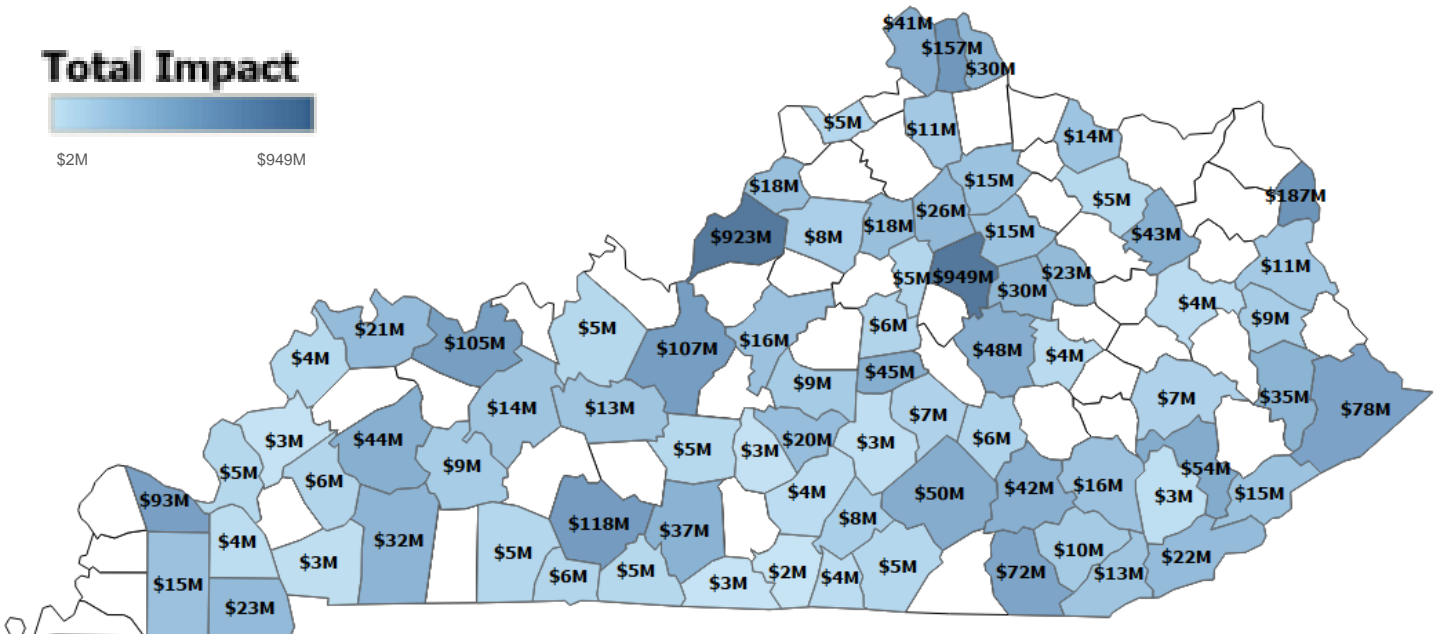
Scenario 4: Eliminating Expansion Population

If the federal government eliminates coverage of the Expansion Population, that will result in over 450,000 Kentuckians losing health care coverage and a total loss of \$3.8 billion to Kentucky's economy.

Total Impact

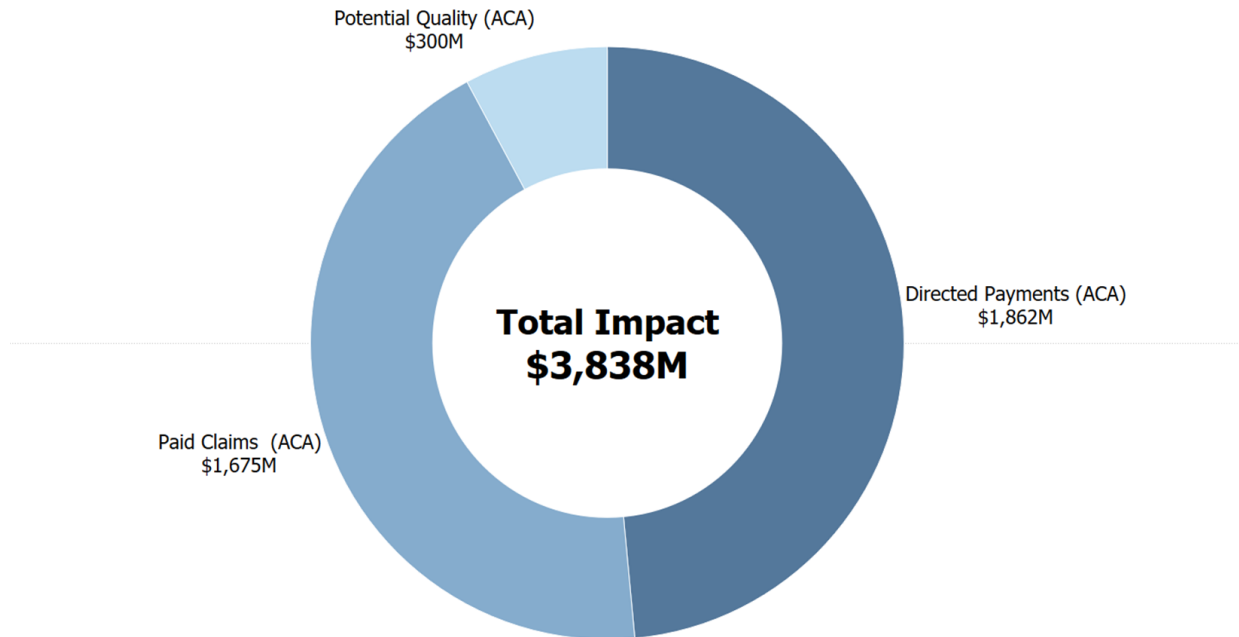
\$3.8 billion

Total Impact



FMAP Reduction Proposal

Scenario 4: Eliminating Expansion Population



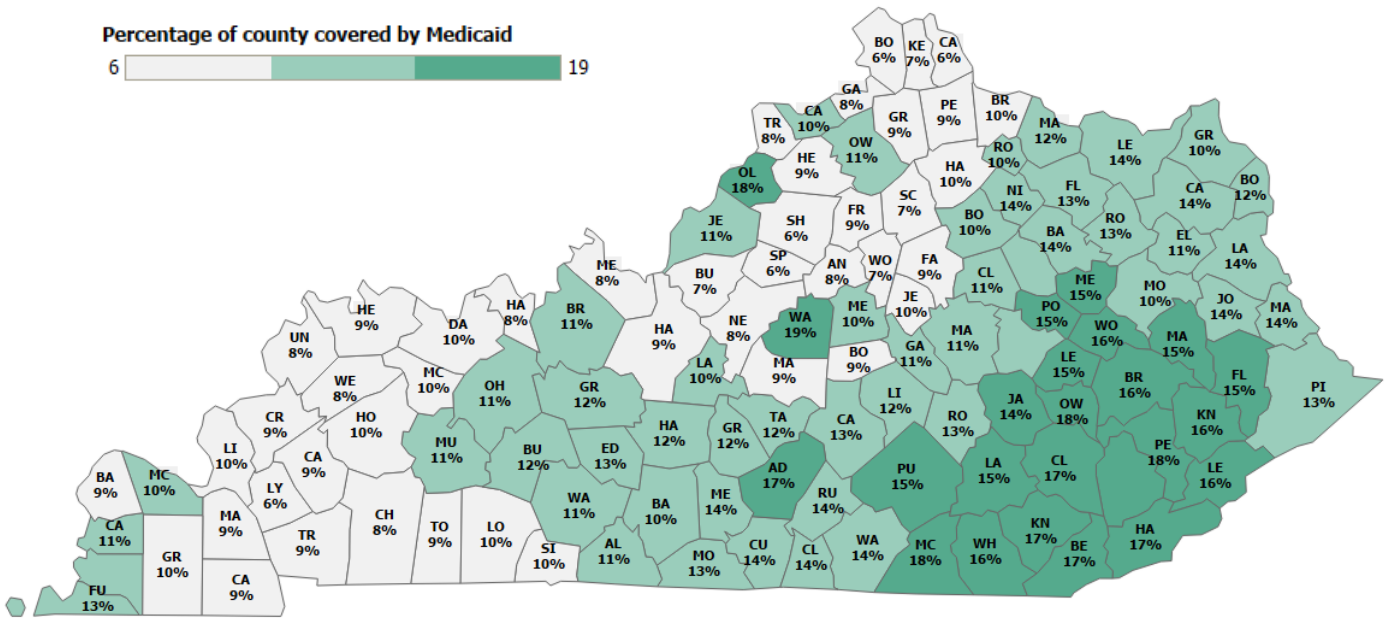
Counties Most Affected



FMAP Reduction Proposal

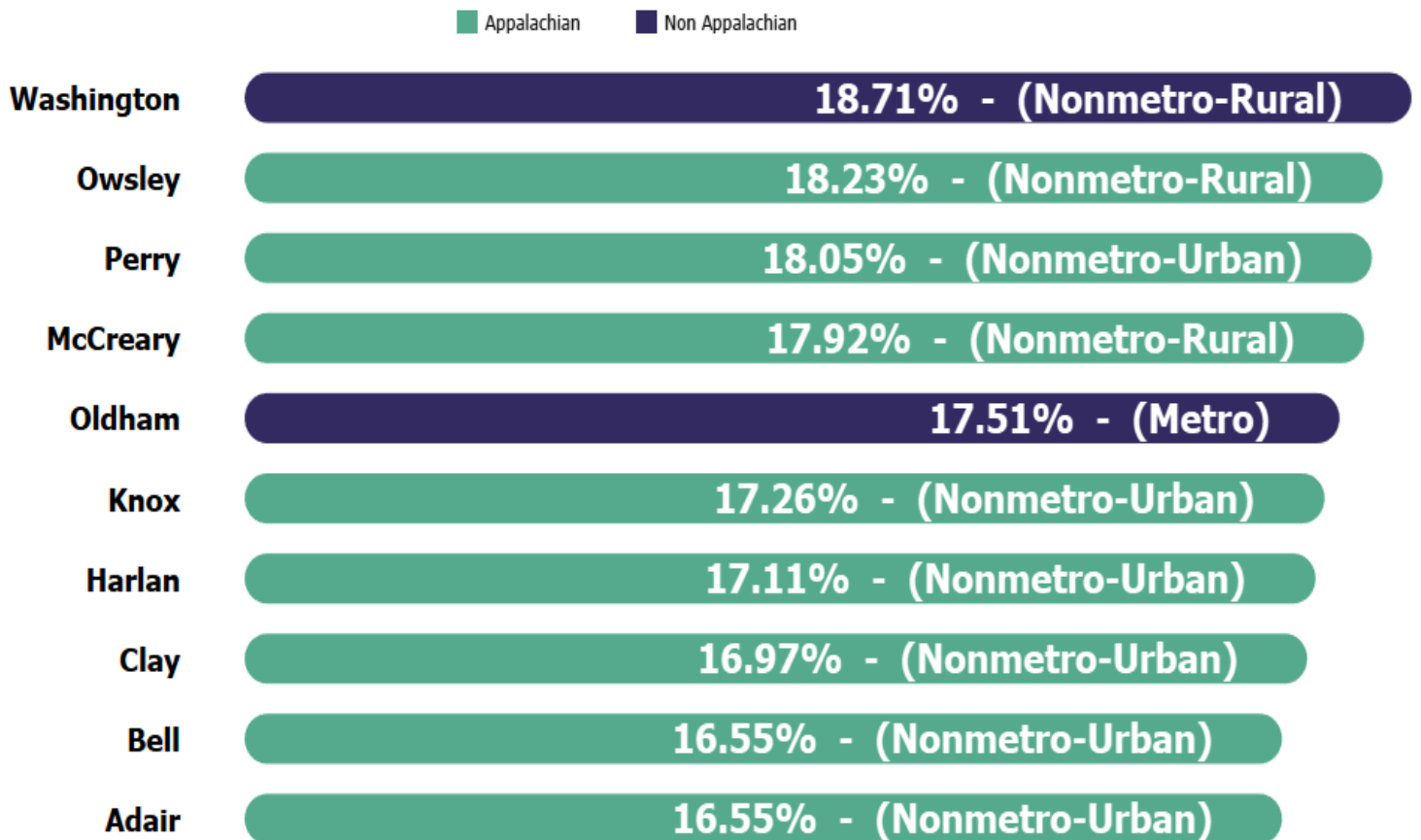
Scenario 4: Eliminating Expansion Population

Percent of county covered by Medicaid Expansion



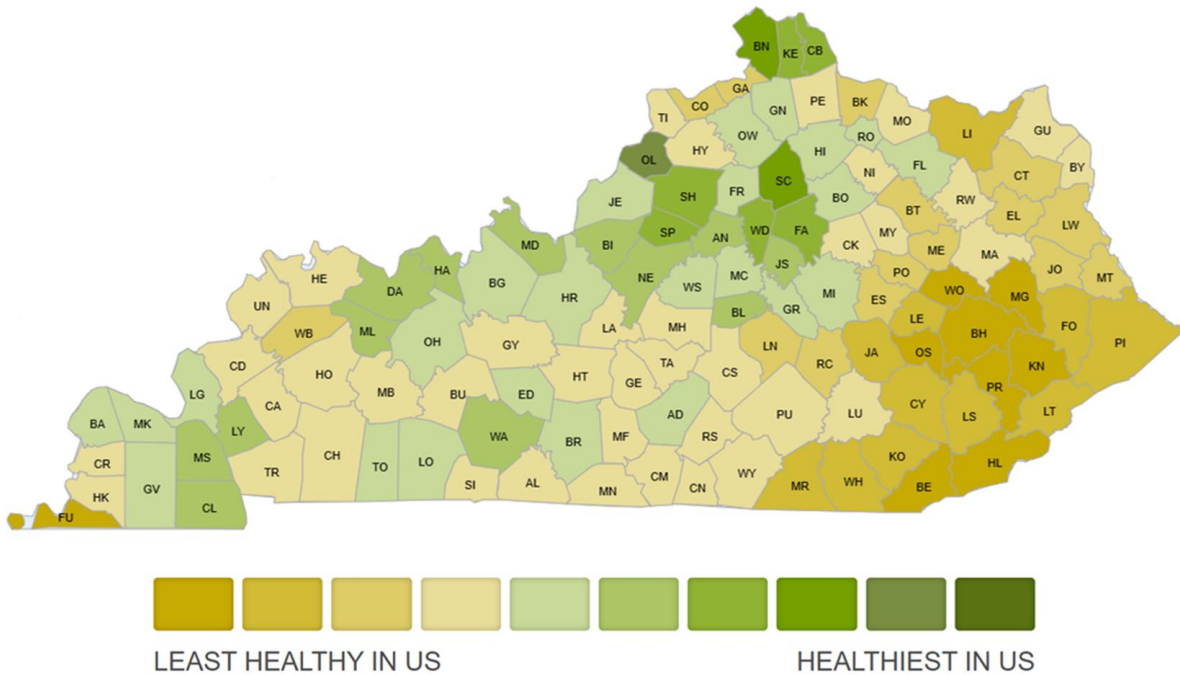
Appalachian Counties Most Impacted by Elimination of Expansion Population

Top 10 Counties with the highest percentage of expansion Medicaid members



Appalachian Counties Most Impacted by Elimination of Expansion Population

Appalachian counties are among the least healthy in the United States



FMAP Reduction Proposal

Scenario 4: Eliminating Expansion Population

Statewide Loss to Kentucky Hospitals

\$= = \$100 million

- \$=** Directed Payments (ACA) - \$1.86 billion
- \$=** Paid Claims (ACA) - \$1.68 billion
- \$=** Potential Quality (ACA) - \$300 million

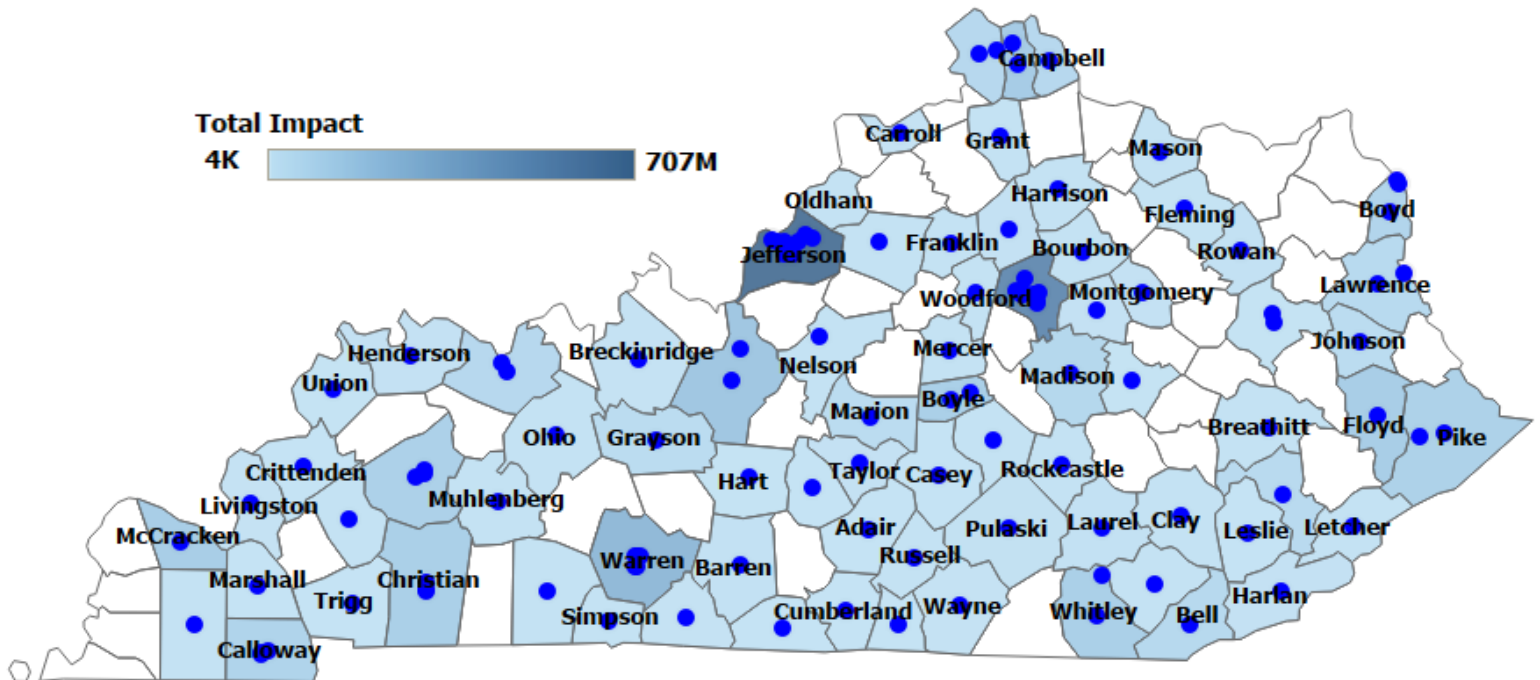


\$3.8 billion Total Loss per Year

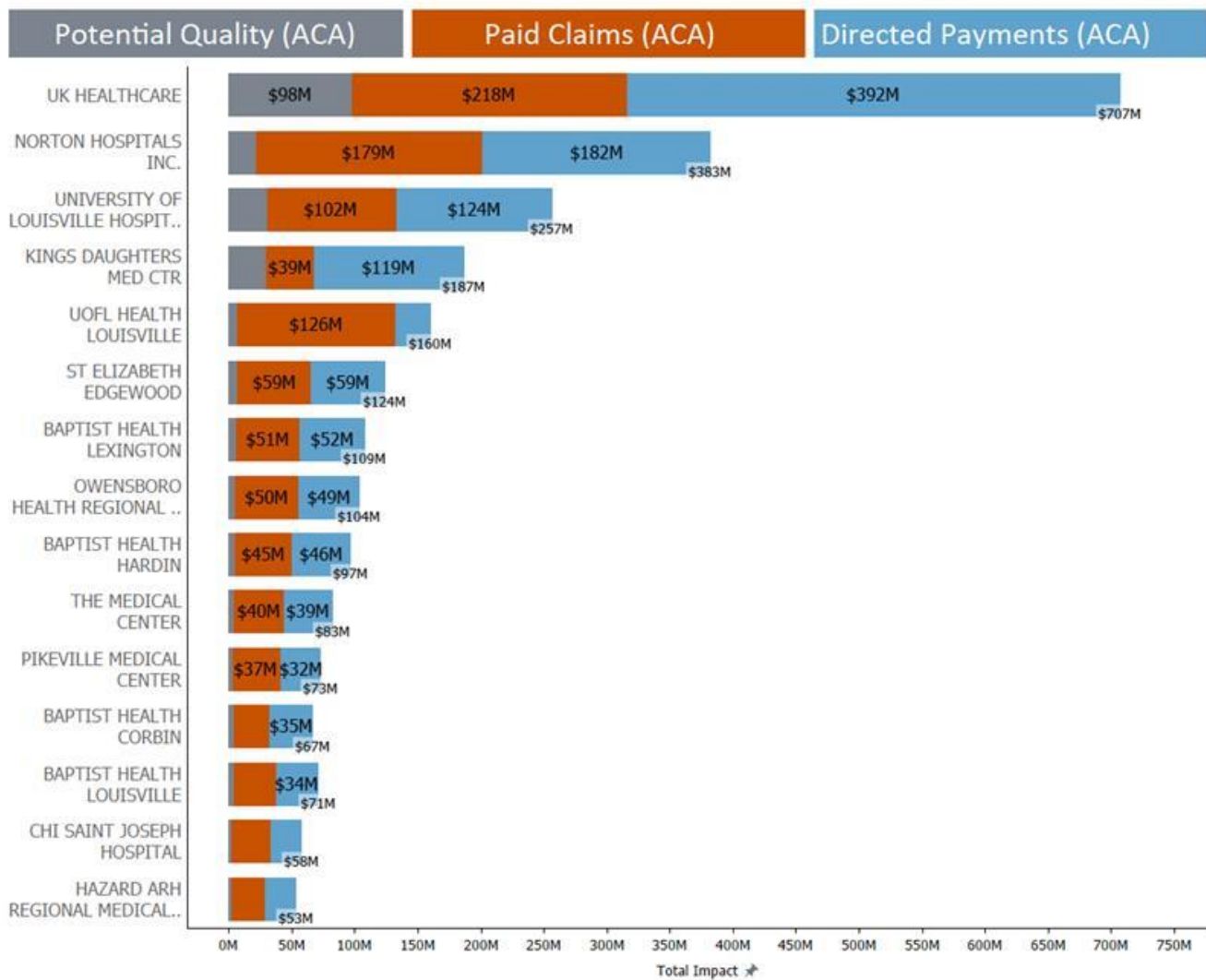
FMAP Reduction Proposal

Scenario 4: Eliminating Expansion Population

Impact on individual hospitals ranges between \$4K-\$707M



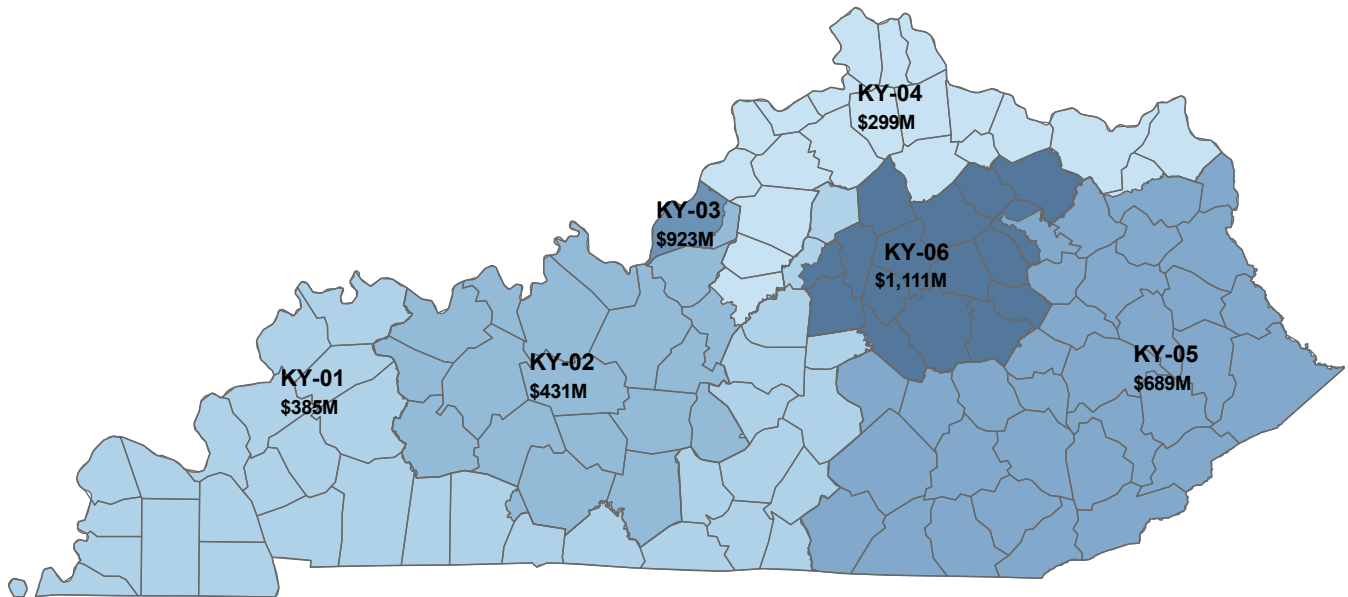
Top 15 Hospitals Impacted by Elimination of Expansion Population



FMAP Reduction Proposal

Scenario 4: Eliminating Expansion Population

**Congressional districts will
lose \$299M-\$1.1B**

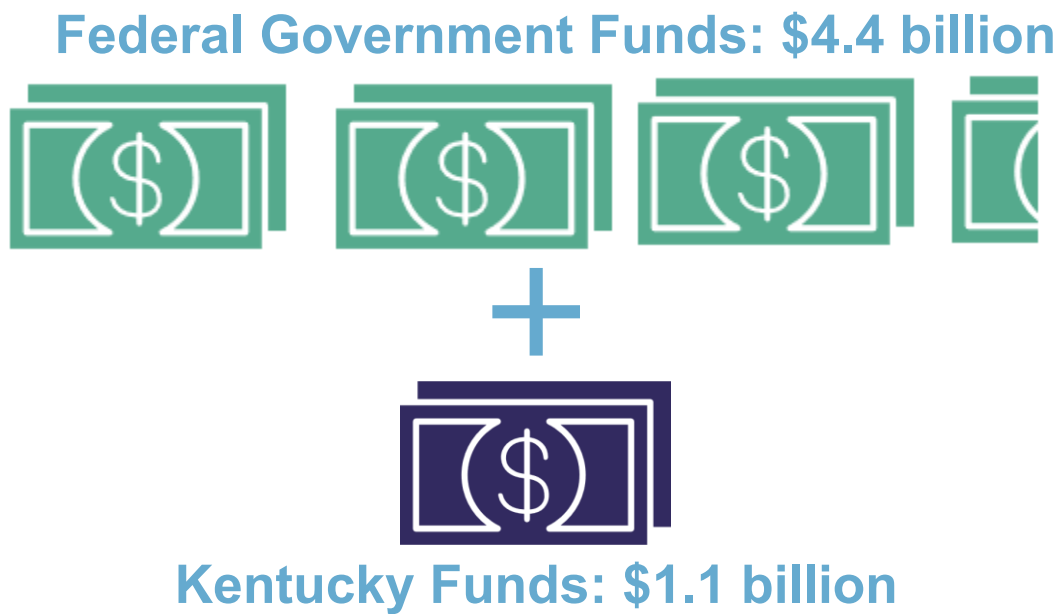


Directed Payments At Risk

Scenario 5: Eliminating Directed Payments

Most states require managed care plans to make certain add-on payments to health care providers, known as “directed payments.” Kentucky uses provider taxes to fund the state share. The federal government is proposing to eliminate directed payments.

\$5.5B at risk



Programs:

- Hospital Reimbursement Improvement Plan (HRIP)
- University Directed Payment Program
- KY Trauma Hospital Reimbursement Improvement (KTHRI)
- Ambulance Provider Assessment Program (APAP)

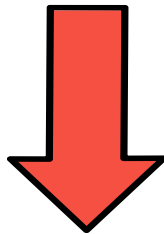
Directed Payment Programs are funded through provider taxes and could be impacted if the maximum allowable is changed and/or eliminated. The amounts for Expansion could be lowered if Expansion is eliminated due to lower FMAP.

Provider Tax Reduction Proposal

Scenario 6: Reducing Provider Allowed Tax Amounts to 4%

Certain providers pay a tax to fund the state share for increased payments.

Current total annual funding



Decrease to maximum 4% provider tax



\$660 million loss to PROVIDERS

Provider Tax Reduction Proposal

Scenario 6: Reducing Provider Allowed Tax Amounts to 4%

Statewide total annual loss to Supports for Community Living

 = \$1 Million

 Kentucky State Funding - ~\$5.5 million

 Federal Share Funding - ~\$13.5 million



\$19 million
Loss to Supports
for Community
Living

Provider Tax Reduction Proposal

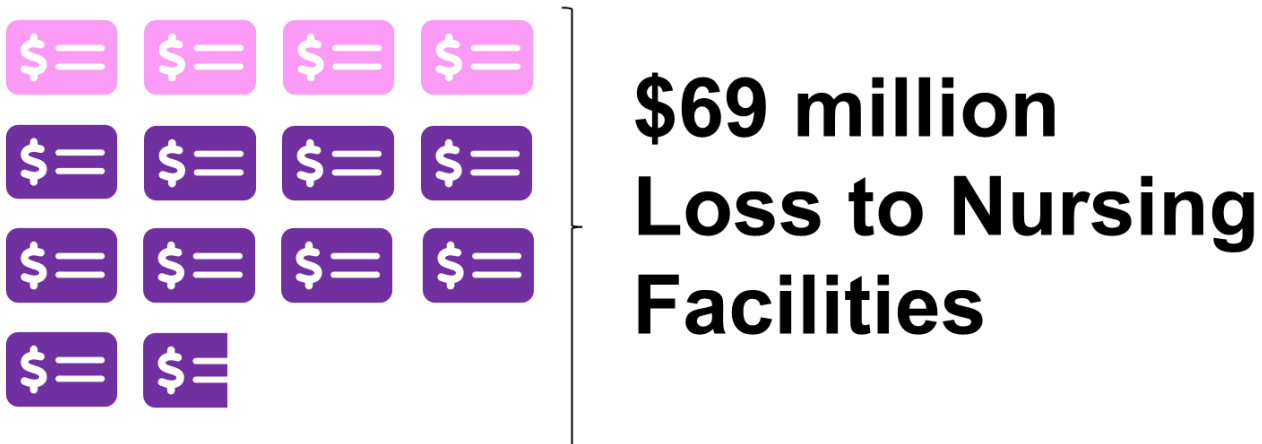
Scenario 6: Reducing Provider Allowed Tax Amounts to 4%

Statewide total annual loss to Nursing Facilities

 = \$5 Million

 Kentucky State Funding - ~\$20 million

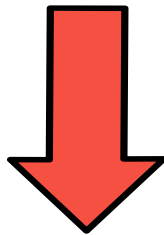
 Federal Share Funding - ~\$49 million



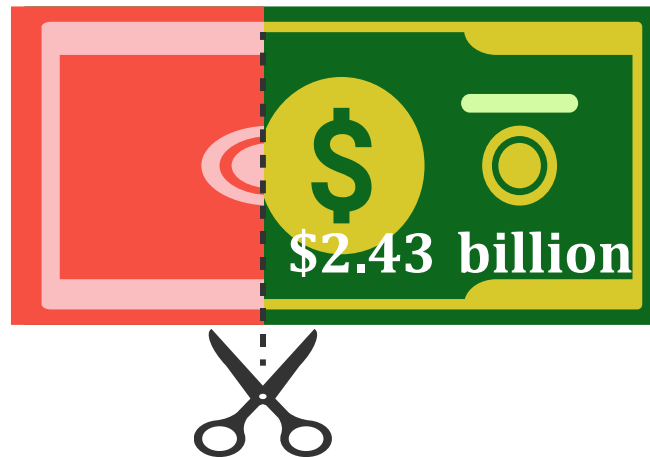
Provider Tax Reduction Proposal

Scenario 7: Reducing Provider Allowed Tax Amounts to 3%

**Current total
annual funding**



**Decrease to
maximum 3%
provider tax**

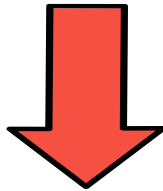


\$1.45 billion loss to PROVIDERS

Provider Tax Elimination Proposal

Scenario 8: Eliminating Provider Taxes

**Current total
annual funding**



**Elimination of
provider tax and
federal matching**





\$3.88 billion loss to PROVIDERS

Provider Tax Elimination Proposal

Scenario 8: Elimination of Provider Tax for Hospitals

Statewide Loss to Kentucky Hospitals

 = \$100 million

-  HRIP (Non-Quality) Payments - \$2.53 billion
-  Potential Quality Payments - \$281 million



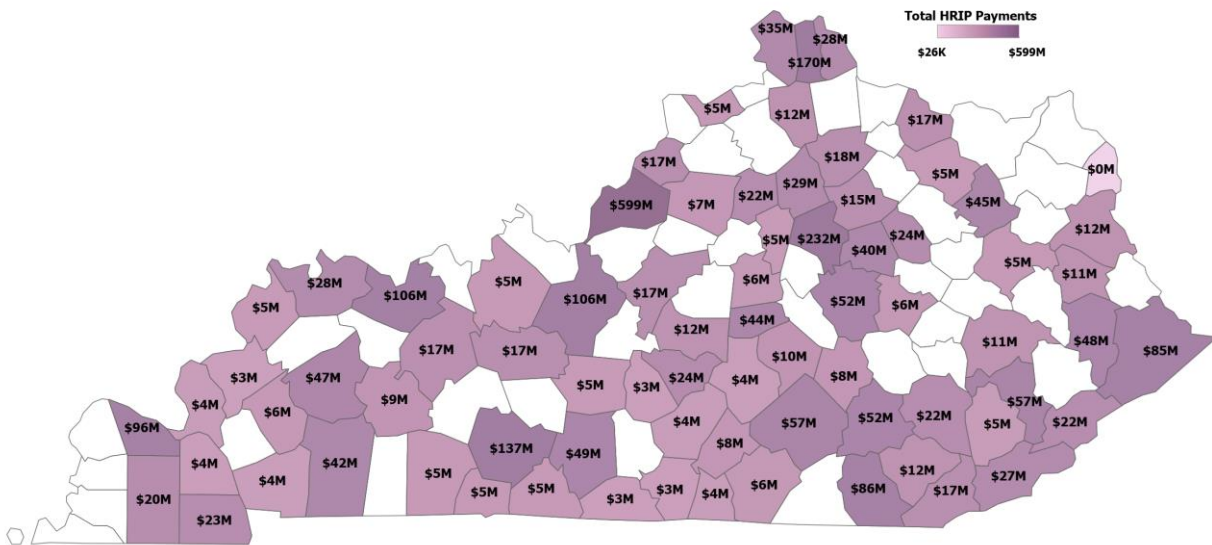
**\$2.8
billion
Total
Loss
per
Year**

HRIP – Hospital Rate Improvement Program

Provider Tax Elimination Proposal

Scenario 8: Elimination of Provider Tax for Hospitals

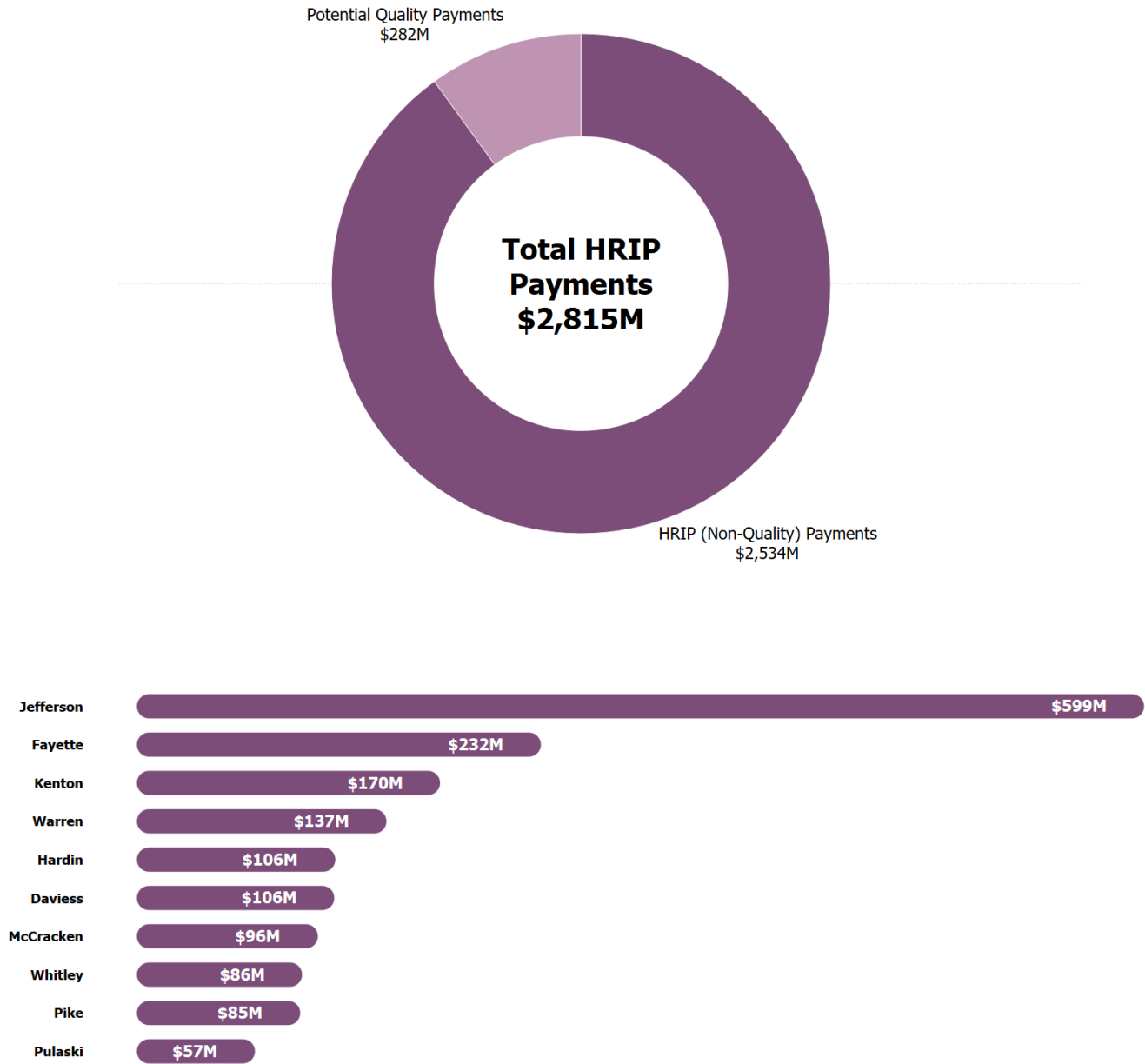
Total Impact \$2.8 billion



HRIP – Hospital Rate Improvement Program

Provider Tax Elimination Proposal

Scenario 8: Elimination of Provider Tax for Hospitals

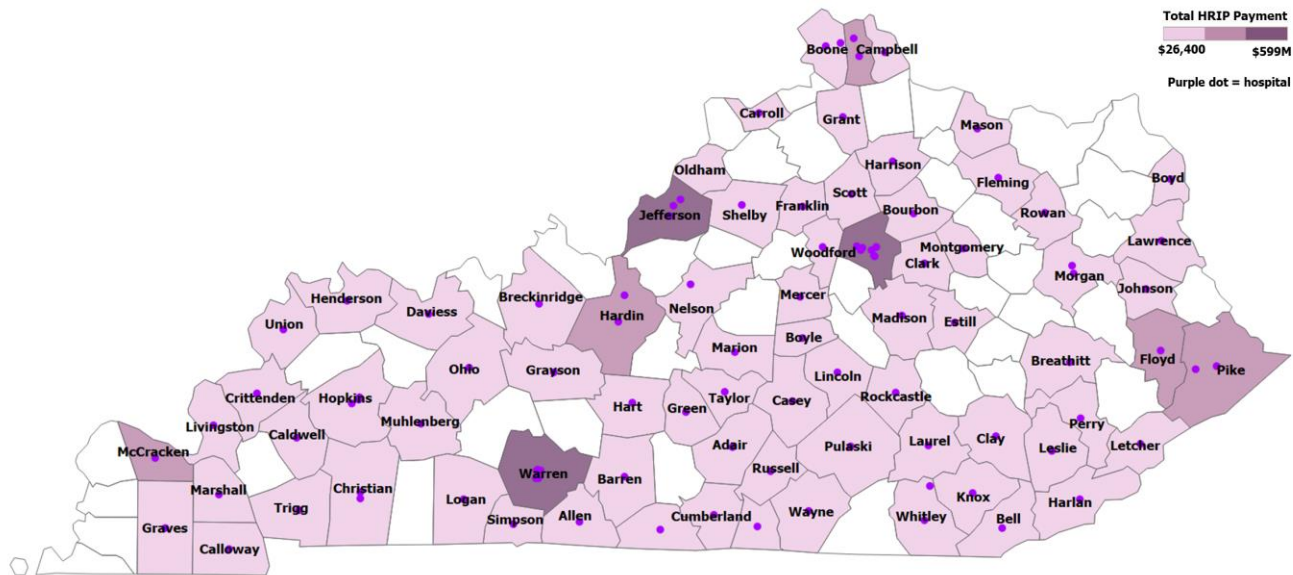


HRIP – Hospital Rate Improvement Program

Provider Tax Elimination Proposal

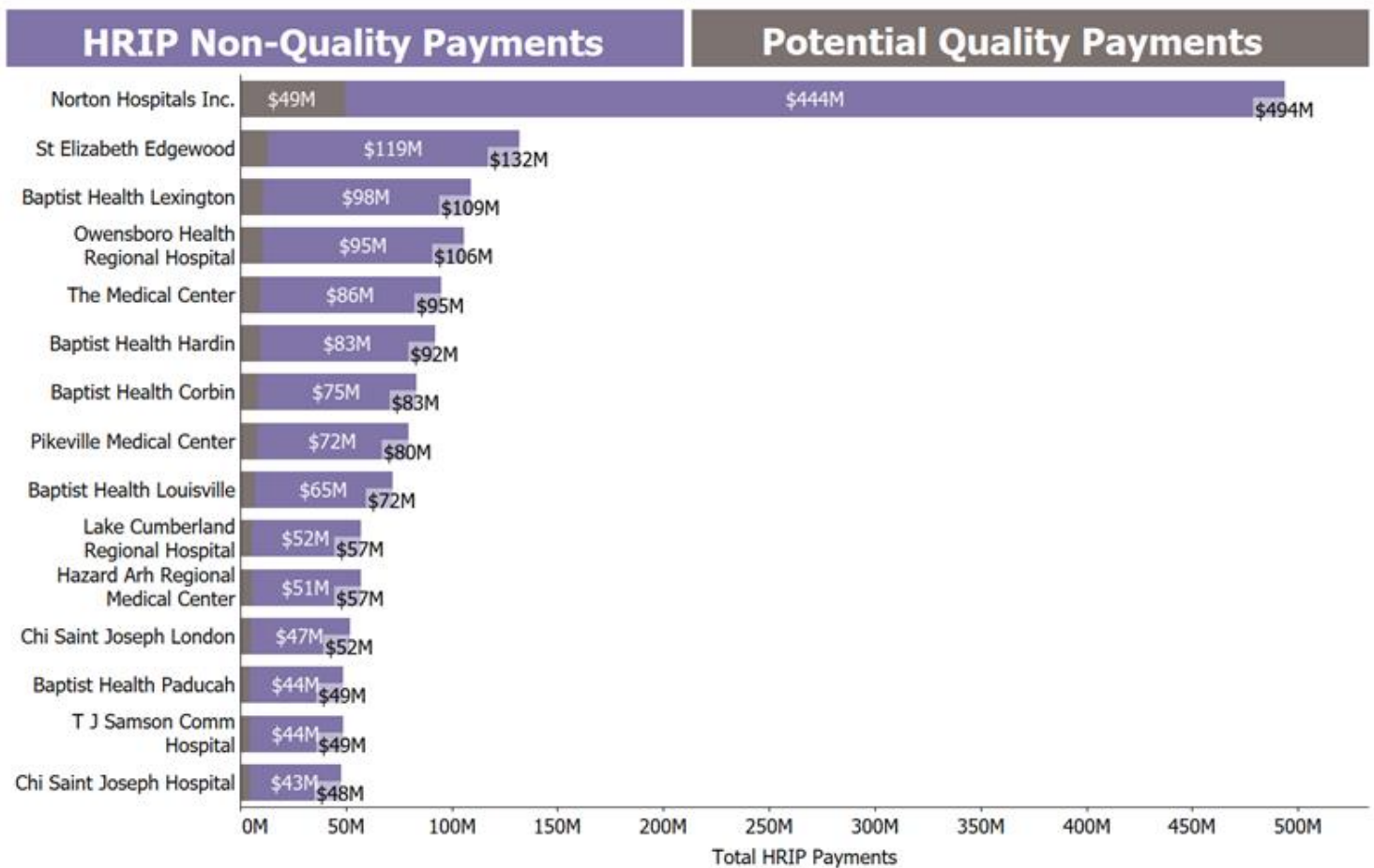
Scenario 8: Elimination of Provider Tax for Hospitals

Impact on individual hospitals ranges between \$8K-\$493M



HRIP – Hospital Rate Improvement Program

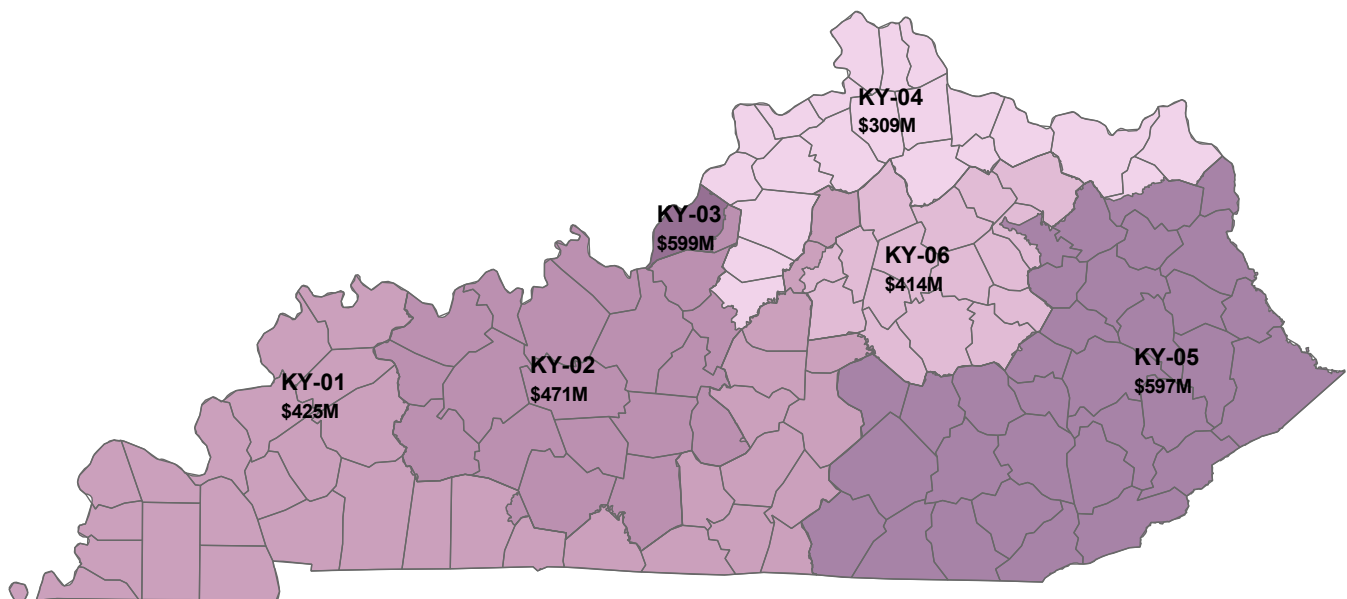
Top 15 Hospitals Impacted if Provider Taxes Are Eliminated



HRIP – Hospital Rate Improvement Program

Impact of Elimination of Hospital Provider Tax by Congressional District

**Impact on Congressional
districts range between
\$309M-\$599M**



HRIP – Hospital Rate Improvement Program