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State/Territory Name: KANSAS

State Plan Amendment (SPA) #: KS-25-0001

This file contains the following documents in the order listed:

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Medicaid & CHIP Services
7500 Security Boulevard, Mail Stop S3-14-28
Baltimore, Maryland 21244-1850

Financial Management Group

August 4, 2026

Christine Osterlund
Medicaid Director
Deputy Secretary of Agency Integration and Medicaid
KDHE, Division of Health Care Finance
Landon State Office Building
900 SW Jackson, Room 900-N
Topeka, KS 66612-1220

RE: **TN 25-0001**

Dear Medicaid Director Osterlund,

The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed Kansas State Plan Amendment (SPA) to Attachment 4.19-A, KS-25-0001, which was submitted to CMS on January 17, 2025. This plan amendment updates the Indirect Medical Education factor to include large public Kansas teaching hospitals.

We reviewed your SPA submission for compliance with statutory requirements including in sections 1902(a)(2), 1902(a)(13), 1902(a)(30), and 1903 as it relates to the identification of an adequate source for the non-federal share of expenditures under the plan, as required by 1902(a)(2), of the Social Security Act and the applicable implementing Federal regulations.

Based upon the information provided by the state, we have approved the amendment with an effective date of January 1, 2025. We are enclosing the approved CMS-179 and a copy of the new state plan pages. Additionally, a companion letter is included with this approval package. CMS identified issues with the indirect medical education rates that appear inconsistent with economy and efficiency as required under section 1902(a)(30)(A) of the Act. The companion letter requests that the state end these payments, which currently are being made under previously approved state plan authority. More details can be found in the attached companion letter.

If you have any additional questions or need further assistance, please contact Fred Sebree at Frederick.Sebree@cms.hhs.gov.

Sincerely,

[redacted]

Rory Howe
Director
Financial Management Group

Enclosures

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850

CENTERS FOR MEDICARE & MEDICAID SERVICES
CENTER FOR MEDICAID & CHIP SERVICES

Financial Management Group

August 4, 2026

Christine Osterlund
Medicaid Director Deputy Secretary of Agency Integration and Medicaid
KDHE, Division of Health Care Finance
Landon State Office Building
900 SW Jackson, Room 900-N
Topeka, KS 66612-1220

RE: TN 25-0001

Dear Medicaid Director Osterlund,

This letter is being sent as a companion to our approval of Kansas Medicaid state plan amendment (SPA) 25-0001. During our review of this SPA, the Centers for Medicare & Medicaid Services (CMS) identified issues with graduate medical education costs payments. Section 1902(a)(30)(A) of the Act requires that the state plan provide for methods and procedures relating to the payment for care and services under the plan to assure that payments are consistent with efficiency and economy.

Kansas SPA 25-0001 includes in their graduate medical education (GME) payments an indirect medical education (IME) multiplier of 2.86. The IME multiplier is set by congress at 1.35 for Medicare rates. And, to the extent the state were to receive federal financial participation in the GME payments, this would appear to have the effect of increasing the federal share of expenditures for the medical assistance expenditures above the level specified in statute. As a result, CMS is issuing this companion letter acknowledging that the state has agreed to a "sunset date" of January 1, 2028, to end the 2.86 IME multiplier, which is currently being used under previously approved state plan authority. The state will submit a SPA to utilize the 1.35 congressionally mandated IME multiplier. We are taking this approach instead of disapproving SPA 25-0001 to allow the state a limited but sufficient amount of time to wind down the graduate medical education payments that we cannot determine are consistent with economy and efficiency.

CMS appreciates the state's partnership with addressing the issues identified with this SPA, and we are available to provide any required technical assistance should the state wish to submit any future SPAs to make graduate medical education payments. If you have any questions, please contact Fred Sebree via email at fredrick.sebree@cms.hhs,gov.

Sincerely,

Rory Howe
Director
Financial Management Group

Enclosures

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

FORM APPROVED
OMB No. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES

1. TRANSMITTAL NUMBER: 25-0001

2. STATE: KS

3. PROGRAM IDENTIFICATION: TITLE OF THE SOCIAL SECURITY ACT: (●) XIX ( ) XXI

TO: CENTER DIRECTOR
CENTERS FOR MEDICAID & CHIP SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
January 1, 2025

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR 447

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2025 $ 0 $420,000
b. FFY 2026 $ 0 $550,000

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Attachment 4.19-A Page 37

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
Attachment 4.19-A Page 37

9. SUBJECT OF AMENDMENT
Update the Medicaid Indirect Medical Education (IME) Factor. Methodology for the IME Factor now includes Large Public Kansas Teaching Hospitals.

10. GOVERNOR'S REVIEW *(Check One)*
( ) GOVERNOR'S OFFICE REPORTED NO COMMENT
( ) COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
( ) NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
(●) OTHER, AS SPECIFIED: Christine Osterlund is the Governor's Designee

11. SIGNATURE OF STATE AGENCY OFFICIAL
[redacted]

12. TYPED NAME
Christine Osterlund

13. TITLE
Medicaid Director

14. DATE SUBMITTED
January 17, 2025

15. RETURN TO
Christine Osterlund
Medicaid Director
Deputy Secretary of Agency Integration and Medicaid
KDHE, Division of Health Care Finance
Landon State Office Building
900 SW Jackson, Room 900-N
Topeka, KS 66612-1220

FOR CMS USE ONLY

16. DATE RECEIVED 1/17/2025

17. DATE APPROVED
August 4, 2026

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
1/1/2025

19. SIGNATURE OF APPROVING OFFICIAL
[redacted]

20. TYPED NAME OF APPROVING OFFICIAL
Rory Howe

21. TITLE OF APPROVING OFFICIAL
Director, FMG

22. REMARKS

3/7/2025 - State authorized update in block 6 to reflect corrected budget impact

Methods and Standards for Establishing Payment Rates – Inpatient Hospital Care

9.0000 Public process for proposed changes in methods and standards for establishing payment rates – inpatient hospital care. The State has in place a public process which complies with the requirements of Section 1902(a)(13)(A) of the Social Security Act.

10.0000 Direct and Indirect Graduate Medical Education Payments

Effective with discharges on and after January 1, 2005, payments will be made for graduate medical education (GME) services for Kansas hospital inpatient claims. This payment is in addition to the standard DRG payment.

The hospital-specific medical education rate has two components, the direct graduate medical education (DGME) rate and the indirect medical education (IME) rate. The sum of the two rates, or fractions, is the overall graduate medical education (GME) factor, or rate, for the hospital and for application to the DRG payment. These are computed as follows:

- Direct Medical Education (DGME): For discharges on and after January 1, 2005, the DGME factor: is the lesser of total direct medical education cost or aggregate approved costs divided by the total costs of the hospital. This data is from the most recent available Medicare cost report as of the start of each State fiscal year.

- For discharges on and after July 1, 2009, the DGME ratio will be similar to Medicare's DGME formula. The DGME factor will be determined by dividing the hospital's Medicaid patient days by the hospital's total patient days, per worksheet E-3, Part IV, line 5 of the Medicare cost report. This fraction is multiplied by the hospital's total DGME allowable amount as identified on worksheet E-3, Part IV, line 3.25 of the Medicare cost report form. The resulting amount is divided by the Medicaid DRG base amount, for each hospital from the State's most recent fiscal year end. The data is from the Medicare cost report, for each hospital, used for the biennial update of the inpatient MSDRG peer group rates and weights.

- Indirect Medical Education (IME) Factor = 2.1 x ((1 + ratio of full time equivalent interns and residents to hospital beds excluding nursery) $^{\wedge 0.405}$ – 1). This data is from the Medicare cost report, for each hospital, used for the biennial update of the inpatient MSDRG peer group rates and weights.

    - Effective for discharges on and after January 1, 2023, the IME factor is 2.86.
    - Effective for discharges on and after January 1, 2025, the IME factor is 1.35 for Large Public Kansas Teaching Hospitals.

- Hospital-Specific Medical Education Rate = Medicaid hospital DRG Group rate (peer group rate) X (DGME factor + IME factor).

- The hospital's GME claim payment is determined by multiplying the hospital-specific medical education rate times the claim DRG base amount (hospital peer group amount multiplied by the DRG weight for the claim).

- Payments shall be made at least quarterly based upon the claims processed and paid during the previous quarter. This applies to claims that are applicable to this section of the State Plan that have not previously been reimbursed for medical education.

- For Large Public Kansas Teaching Hospitals, this will be applied prior to the Academic Base Rate adjustment.