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State/Territory Name: KENTUCKY

State Plan Amendment (SPA) #: KY-25-0007

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

March 20, 2026

Lisa Lee
Commissioner
275 E. Main St.
Frankfort, KY 40601

RE: TN KY-25-0007

Dear Commissioner Lee,

The Centers for Medicare & Medicaid Services (CMS) has reviewed the proposed Kentucky State Plan Amendment (SPA) to Attachment 4.19-A and 4.19-B, KY-25-0007, which was submitted to CMS on December 1, 2025. This plan amendment updates the Single Case Agreements-High Cost Cell and Gene Therapies (CGT).

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, 2026. We are enclosing the approved CMS-179 and a copy of the new state plan pages.

If you have any additional questions or need further assistance, please contact Tom Caughey at 517-487-8598 or via email at tom.caughey@cms.hhs.gov.

Sincerely,

[redacted]

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: 25-0007

2. STATE: KY

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 1,2026

5. FEDERAL STATUTE/REGULATION CITATION
42 CFR 424.13

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

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Att 4.19-A Pg.12
Att 4.19-A Pg. 13
Att 4.19-B Pg. 20.1(b)
Att 4.19-B Pg. 20.12(f)(1)(a)-NEW

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*
Att 4.19-A Pg. 12
Att 4.19-A Pg. 13
Att 4.19-B Pg. 20.1(b)

9. SUBJECT OF AMENDMENT
Reimbursement of Selected Carve-Out Drugs

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:

11. SIGNATURE OF STATE AGENCY OFFICIAL
[redacted]

12. TYPED NAME
Lisa Lee

13. TITLE
Commissioner

14. DATE SUBMITTED
December 1, 2025

15. RETURN TO
Lisa Lee
275 E. Main St.
Frankfort, KY 40601

FOR CMS USE ONLY

16. DATE RECEIVED
December 1, 2025

17. DATE APPROVED
March 20, 2026

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
January 1, 2026

19. SIGNATURE OF APPROVING OFFICIAL
[redacted]

20. TYPED NAME OF APPROVING OFFICIAL
Rory Howe

21. TITLE OF APPROVING OFFICIAL
Director, FMG

22. REMARKS

Instructions on Back

INSTRUCTIONS FOR COMPLETING FORM CMS-179

Use Form CMS-179 to transmit State plan material to the Center for Medicaid & CHIP Services for approval. Submit a separate typed transmittal form with each plan/amendment.

Block 1 - Transmittal Number - Enter the State Plan Amendment transmittal number. Assign consecutive numbers on a **calendar year** basis with the first two digits being the two-digit year (e.g., 21-0001, 21-0002, etc.). Because states have different state fiscal years, a calendar year is required for consistency.

Block 2 - State - Enter the two-letter abbreviation code of the State/District/Territory submitting the plan material.

Block 3 - Program Identification - Enter the applicable Title of the Social Security Act (Title XIX Medicaid or Title XXI CHIP).

Block 4 - Proposed Effective Date - Enter the proposed effective date of material. The effective date of a new plan may not be earlier than the first day of the calendar quarter in which an approvable plan is submitted. With respect to expenditures for assistance under such plan, the effective date may not be earlier than the first day on which the plan is in operation on a statewide basis or earlier than the day following publication of notice of changes.

Block 5 - Federal Statute/Regulation Citation - Enter the appropriate statutory/regulatory citation.

Block 6 - Federal Budget Impact - 6(a) - IN WHOLE DOLLARS, NOT IN THOUSANDS, Enter 1st **Federal Fiscal Year** (FFY) impacted by the SPA & estimated Federal share of the cost of the SPA for 1st FFY. The first FFY should be the FFY inclusive of the earliest effective date of any amended payment language; **6 (b)** - Enter 2nd FFY impacted by the SPA & estimated Federal share of the cost for 2nd FFY. In general, the estimates should include any amount not currently approved in the state's plan for assistance.

Block 7 - Page No.(s) of Plan Section or Attachment - Enter the page number(s) of plan material amended and transmitted. If additional space is needed, use bond paper. **New pages** should be included in Block 7, but not in Block 8.

Block 8 - Page No.(s) of the Superseded Plan Section or Attachment (if Applicable) - Enter the page number(s) (including the transmittal number) that is being superseded. If additional space is needed, use bond paper. **Deleted pages** should be included in Block 8, but not in Block 7.

Block 9 - Subject of Amendment - Briefly describe plan material being transmitted.

Block 10 - Governor's Review - Check the appropriate box. See SMM section 13026 A.

Block 11 - Signature of State Agency Official - Authorized State official signs this block.

Block 12 - Typed Name - Type name of State official who signed block 11.

Block 13 - Title - Type title of State official who signed block 11.

Block 14 - Date Submitted - Enter the date that the state transmits plan material to CMCS. Unless the state officially withdraws this SPA and then resubmits it, this date should not be revised. Documentation of version revisions will be maintained in the CMCS administrative record.

Block 15 - Return To - Type the name and address of State official to whom this form should be returned.

Block 16–22 (FOR CMS USE ONLY).

Block 16 - Date Received - Enter the date plan material is received by CMCS. This is the date that the submission is received by CMCS via the subscribed submission process.

Block 17 - Date Approved - Enter the date CMCS approved the plan material.

Block 18 - Effective Date of Approved Material - Enter the date the plan material becomes effective. If more than one effective date, list each provision and its effective date in Block 22 or attach a sheet.

Block 19 - Signature of Approving Official - Approving official signs this block.

Block 20 - Typed Name of Approving Official - Type approving official's name.

Block 21 - Title of Approving Official - Type approving official's title.

Block 22 - Remarks - Use this block to reference and explain agreed to changes and strike-throughs to the original CMS-179 as submitted, a partial approval, more than one effective date, etc. If additional space is needed, use bond paper.

2. Acute Care Hospital Services

K. The department shall reimburse a receiving hospital for a transfer to a rehabilitation or psychiatric distinct part unit the facility-specific distinct part unit per diem rate for each day the patient remains in the distinct part unit.

L. 1) The department shall reimburse for an organ transplant on a prospective per discharge method according to the recipient's DRG classification.

2) a. The department's organ transplant reimbursement shall include an interim reimbursement followed by a final reimbursement.

b. The final reimbursement shall:

(1) Include a cost settlement process based on the Medicare 2552 cost report form; and

(2) Be designed to reimburse hospitals for ninety-five (95) percent of organ acquisition costs.

c. (1) An interim organ acquisition payment shall be made using a fixed-rate add-on to the standard DRG payment according to the fee schedule: Fee Schedules - Cabinet for Health and Family Services

(2) Upon receipt of a hospital's as-filed Medicare cost report, the department shall calculate a tentative settlement at ninety-five (95) percent of costs for organ acquisition costs utilizing worksheet D-4 of the CMS 2552 cost report for each organ specified above.

(3) Upon receipt of a hospital's finalized Medicare cost report, the department shall calculate a final reimbursement which shall be a cost settlement at ninety-five (95) percent of costs for organ acquisition costs utilizing worksheet D-4 of the CMS 2552 cost report for each organ specified above.

(4) The final cost settlement shall reflect any cost report adjustments made by CMS.

3. Kentucky Drugs Limited to Selected Carve Out Drug Access Model Reimbursement

M. 1) Approved Selected Carve Out Drugs are to be billed separately as a single case agreement on an outpatient claim to be reimbursed the Actual Acquisition Cost (AAC). Kentucky Medicaid reimbursement requires submission of an invoice showing the (AAC) of the drug along with the claim. Supplemental charges to cover the administration of the drug shall be reimbursed based on the appropriate DRG. The 340B program does not apply to the drugs involved in the Selected Carve Out Drug program.

2) Effective for dates of service on or after January 1, 2026, selected drugs as listed on Fee Schedules - Cabinet for Health and Family Services, administered during an inpatient stay shall be reimbursed outside of the per diem rate for the inpatient stay. Claims for these selected drugs shall be reimbursed at actual acquisition cost (AAC). The AAC is the hospital's invoice price for the drug, net of all on or off invoice reductions, discounts, rebates, charge backs and similar adjustments that the hospital has, or will, receive from the drug manufacturer or other party for the drug, including any efficacy, outcome, or performance based guarantees (or similar arrangements), whether received prepayment or post payment.

3) Except as noted in the plan, state-developed fee schedule rates are the same for both governmental and private providers. The agency's fee schedule rate was set as of January 1, 2026, and is effective for services provided on or after that date. All rates are published on the agency's website: Fee Schedules - Cabinet for Health and Family Services.

2. Acute Care Hospital Services

N. Payment Adjustment for Provider Preventable Conditions

Effective June I, 2012, and in accordance with Title XIX of the Social Security Act- Sections 1902, 1903 and 42 CFR2 434,438 and 447, Medicaid will make no payment to providers for services related to Provider Preventable Conditions (PPC) which includes Never Events (NE), Other Provider Preventable Conditions (OPPCs) and Additional Other Provider Preventable Conditions (AOPPC).Payments for Health Care Acquired Conditions (HCACs) shall be adjusted in the following manner: For DRG cases, the DRG payable shall exclude the diagnoses not present on admission for any HAC. For per diem payments or cost-based reimbursement, the number of covered days shall be reduced by the number of days associated with the diagnoses not present on admission for any HCAC. The number of reduced days shall be based on the average length of stay (ALOS) on the diagnosis tables published by the CD vendor used by the Medicaid agency. For example, an inpatient claim with 45 covered days identified with an HCAC diagnosis having an ALOS of3.4, shall be reduced to 42 covered days.

Also, consistent with the requirement of 42 CFR 447.26(c):

(c)(2) No reduction in payment for a provider preventable· condition will be imposed on a provider when the condition defined as a PPC for a particular patient existed prior to the initiation of treatment for that patient by that provider.

(c)(3) Reductions in provider payment may be limited to the extent that the following apply:

i. The identified provider preventable conditions would otherwise result in an increase in payment.

ii. The state can reasonably isolate for nonpayment the portion of the payment directly related to treatment for, and related to, the provider preventable conditions.

(c)(5) Non-payment of provider preventable conditions shall not prevent access to services for Medicaid beneficiaries.

Health Care-Acquired Conditions

The state identifies the following Health Care-Acquired Conditions for non-payment under Section 4.19-A:

[X]___ Hospital-Acquired Conditions as identified by Medicare other than Deep Vein Thrombosis (DVT)/Pulmonary Embolism (PE) following total knee replacement or **hip** replacement surgery in pediatric and obstetric patients.

Other Provider-Preventable Conditions

The State identifies the following Other Provider-Preventable Conditions for non-payment under Section 4.19-A

[X] Wrong surgical or other invasive procedure performed on a patient; surgical or other invasive procedure performed on the wrong body part; surgical or other invasive procedure performed on the wrong patients

O. Preadmission Services for an Inpatient Acute Care Service.

A preadmission service provided within three (3) calendar days immediately preceding an inpatient admission reimbursable under the prospective per discharge reimbursement methodology shall:

1) Be included with the related inpatient billing and shall not be billed separately as an outpatient **service; and**

2) Exclude a service furnished by a home health agency, a skilled nursing facility, or hospice, unless it is a diagnostic service related to an inpatient admission or an outpatient maintenance dialysis **service.**

9. Kentucky Drugs Limited to Selected Carve Out Drug

a. For effective for dates of service on or after January 1, 2026, approved Selected Carve Out Drugs are to be billed separately as a single case agreement on an outpatient claim to be reimbursed the Actual Acquisition Cost (AAC). Kentucky Medicaid reimbursement requires submission of an invoice showing the (AAC) of the drug along with the claim. Supplemental charges to cover the administration of the drug shall be reimbursed based on the appropriate DRG. The Selected Carve Out Drugs are listed on Fee Schedules - Cabinet for Health and Family Services. The 340B program does not apply to the drugs involved in the Selected Carve Out Drug program.

b. Except as otherwise noted in the plan, state-developed fee schedule rates are the same for both governmental and private providers. The agency's fee schedule rate was set as of January 1, 2026, and is effective for services provided on or after that date. All rates are published on the agency's website: Fee Schedules - Cabinet for Health and Family Services.

B. Out-of-State Outpatient Hospital Service Reimbursement. Excluding services provided in a critical access hospital and laboratory services, reimbursement for an outpatient hospital service provided by an out-of-state hospital shall be ninety-five (95) percent of the average in-state outpatient hospital cost-to-charge ratio times the Medicaid covered charges billed by the out-of-state hospital.

5. The department shall reimburse for drugs at the lesser of:

- Branded Drugs: WAC + 2% (plus dispensing fee) OR
- Generic Drugs: WAC + 3.2 % (plus dispensing fee) OR
- FUL + dispense fee OR
- MAC + dispense fee OR
- Usual & Customary (U & C)

6. For nursing facility residents meeting Medicaid patient status, an incentive of two (2) cents per unit dose shall be paid to long term care, personal care, and supports for community living pharmacists for repackaging a non-unit dose drug in unit dose form.

7. Medication Assisted Therapy (MAT)

a. Non-bundled prescribed drugs (at the pharmacy) will be reimbursed at the lowest of logic outlined in Attachment 4.19-B Page 20.1.

b. Methadone Medication Assisted Treatment will be paid as outlined in Attachment 4.19-B. Page 20.15(1)(d)(i)

8. 1905(a)(29) Medication-Assisted Treatment (MAT)

The reimbursement for unbundled prescribed drugs and biologicals used to treat opioid use disorder will be reimbursed using the same methodology as described for prescribed drugs located in in Attachment 4.19-B, pages 20.1-20.1(a), for drugs that are dispensed or administered.

9. Kentucky Drugs Limited to Selected Carve Out Drug Access Model Reimbursement.

Approved Selected Carve Out Drugs as found on the state's website, to be billed separately as a single case agreement on an outpatient claim to be reimbursed the Actual Acquisition Cost (AAC). Kentucky Medicaid reimbursement requires submission of an invoice showing the (AAC) of the drug along with the claim. The 340B program does not apply to the drugs involved in the Selected Carve Out Drug program.