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State/Territory Name: Kentucky

State Plan Amendment (SPA) #: 25-0011

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) Form CMS-179
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
601 E. 12th St., Room 355
Kansas City, Missouri 64106



Medicaid and CHIP Operations Group

March 11, 2026

Lisa Lee
Commissioner, Department for Medicaid Services
Commonwealth of Kentucky
Cabinet for Health and Human Services
275 East Main Street, 6 West A
Frankfort, KY 40601

Re: Kentucky State Plan Amendment - 25-0011

Dear Commissioner Lee:

The Centers for Medicare & Medicaid Services (CMS) reviewed your Medicaid State Plan Amendment (SPA) submitted under transmittal number (TN) 25-0011. This amendment proposes an exception to the Recovery Audit Contractor (RAC) Program.

We conducted our review of your submittal according to statutory requirements in Title XIX of the Social Security Act and implementing regulations. This letter is to inform you that Kentucky Medicaid SPA TN 25-0011 was approved on March 11, 2026, with an effective date of July 1, 2026, through June 30, 2028.

Enclosed are copies of Form CMS-179 and approved SPA pages to be incorporated into the Kentucky State Plan.

If you have any questions, please contact Christine Davidson at (312) 886-3642 or via email at Christine.davidson@cms.hhs.gov.

Sincerely,

A solid black rectangular box redacting the signature of Wendy E. Hill Petras.

Wendy E. Hill Petras, Acting Director
Division of Program Operations

Enclosures

cc: Erin Bickers, KY DMS
Daryl Osborne, KY DMS
Amanda Trent, KY DMS
Toree Turner, CMCS

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL
FOR: CENTERS FOR MEDICARE & MEDICAID SERVICES**

1. TRANSMITTAL NUMBER 2 5 — 0 0 1 1 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
July 1, 2026

5. FEDERAL STATUTE/REGULATION CITATION
Section 1902(a)(42)(B)(i) of the Social Security Act

6. FEDERAL BUDGET IMPACT (Amounts in WHOLE dollars)
a. FFY 2026 \$ 0
b. FFY 2027 \$ 0

7. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT
Page 36.a
Page 36.a1

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)
Page 36.a
Page 36.a1

9. SUBJECT OF AMENDMENT
The purpose of this SPA is to request an extension of our approved exception to establishing a recovery audit contractor. In 2024 CMS approved KY SPA 24-011, which approved an extension through 6/30/26.

10. GOVERNOR'S REVIEW (Check One)
 GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS SPECIFIED:
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

11. SIGNATURE OF STATE AGENCY OFFICIAL


12. TYPED NAME
Lisa D. Lee

13. TITLE
Commissioner

14. DATE SUBMITTED
12/22/25

15. RETURN TO
Lisa Lee
275 E. Main St. 6 W-A
Frankfort, KY 40601

FOR CMS USE ONLY

16. DATE RECEIVED
December 22, 2025

17. DATE APPROVED
March 11, 2026

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
July 1, 2026

19. SIGNATURE OF APPROVING OFFICIAL


20. TYPED NAME OF APPROVING OFFICIAL
Wendy E. Hill Petras

21. TITLE OF APPROVING OFFICIAL
Acting Director, Division of Program Operations

22. REMARKS

SECTION 4 – GENERAL PROGRAM ADMINISTRATION

4.5.1 Medicaid Recovery Audit Contractor Program

- | | | |
|---|-------------------------------------|---|
| Citation | <input type="checkbox"/> | The State has established a program under which it will contract with one or more recovery audit contractors (RACs) for the purpose of identifying underpayments and overpayments of Medicaid claims under the State Plan and under any waiver of the State Plan. |
| Section 1902(a)(42)(B)(i)
Of the Social Security Act | <input checked="" type="checkbox"/> | The State is seeking an exception to establishing such program for the following reasons: |

On 8/16/19, the Commonwealth of Kentucky was informed by our current RAC, Optum that they will not be interested in contracting with the Commonwealth after the contract ends in 3/31/20. Optum has been our sole respondent to our last two (2) RFP postings RFP 758 1700000001 (current contractual agreement effective 4/4/17)) and RFP 758 1000000342 (prior contractual agreement effective 10/4/10).

After consulting with CMS and observing the trends in other states (and our experience with lack of responses in the bidding process), the Commonwealth did not believe it was practical to put out a proposal at that time. The Commonwealth also believed that by utilizing alternative resources that provider recovery will be more successful than utilizing a Recovery Audit Contractor that in our experience struggled with the implementation of MCO recovery. We believed our alternative resources would align with federal guidelines and program initiatives to detect and protect the State Medicaid Program from fraud and abuse by providers and recipients as applicable. Kentucky is requesting an extension of the exemption for establishing a Medicaid RAC program, effective July 1, 2026, through June 30, 2028.

SECTION 4 – GENERAL PROGRAM ADMINISTRATION

4.5.1 Medicaid Recovery Audit Contractor Program (EXCEPTIONS)

Our Alternative Resources are as follows:

The Commonwealth intends to continue the utilization of the Joint Operating Agreement with the CMS Unified Program Integrity Contractor (UPIC), CoventBridge Group, to include audits of the providers that the Kentucky RAC previously conducted. We have expanded our Managed Care Organizations (MCO) audits with CoventBridge Group to include data driven analytics (algorithms) to identify overpayments (and underpayments as applicable). We had begun this process, but implementation was slowed due to COVID-19. The Commonwealth is also researching the possibility of contracting with a state university to identify possible overpayments (and underpayments if applicable) on both MCO encounters (and the actual claims if necessary) and Fee for Service (FFS) claims. The Commonwealth would first like to explore the effectiveness of our UPIC before implementing next steps and contracting with another entity. Additionally, we also have added resources to our Audits and Compliance Branch in the Division of Program Integrity that may lead to additional identification of overpayments and possible referrals to the UPIC on providers that require an intensive medical record review.