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State/Territory Name: Kentucky

PACE State Plan Amendment (SPA): KY-26-0002

This file contains the following documents in the order listed:

1. Approval letter
2. CMS-179 form
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

June 5, 2026

Lisa Lee, Commissioner
Department for Medicaid Services
Commonwealth of Kentucky
275 East Main Street, 6W-A
Frankfort, KY 40621-0001

RE: Approval of KY-26-0002 PACE SPA

Dear Commissioner Lee:

The Centers for Medicare and Medicaid Services (CMS) completed the review of Kentucky State Plan Amendment (SPA) Transmittal Number KY-26-0002 submitted on April 21, 2026. The purpose of this SPA is to update the state's methodology for development of the PACE amount that would otherwise have been paid (AWOP) and prospective monthly capitation payment rates to ensure consistency with federal requirements and current state processes.

We conducted our review of your submittal according to statutory requirements in Title XIX of the Social Security Act and the implementing regulations. This letter is to inform you that Kentucky Medicaid SPA KY-26-0002 is approved with an effective date of July 1, 2026.

If you have any questions concerning this information, please contact me at (410) 786-7561. You may also contact Nick Sukachevin at Nickom.Sukachevin@cms.hhs.gov or (206) 615-2416.

Sincerely,

George P. Failla, Jr., Director
Division of HCBS Operations & Oversight

Enclosure

cc: Leslie Hoffman, CHFS
Amanda Trent, CHFS
Carmen Hancock, CHFS
Nicole Jones, CHFS
Emily Burgin, CHFS
Daryl Osborne, CHFS

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

1. TRANSMITTAL NUMBER
2 6 — 0 0 0 2

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
42 CFR 460.182

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
Attachment 3.1-A Pages 6, 7

8. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable)
Attachment 3.1-A Pages 6, 7

9. SUBJECT OF AMENDMENT

Updating the state's prospective monthly capitation payment rates to ensure the rates are consistent with PACE Medicaid rate requirements under 42 CFR 460.182.

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

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

12. TYPED NAME
Lisa Lee

13. TITLE
Commissioner

14. DATE SUBMITTED
4/21/26

FOR CMS USE ONLY

16. DATE RECEIVED
April 21, 2026

17. DATE APPROVED
June 5, 2026

PLAN APPROVED - ONE COPY ATTACHED

18. EFFECTIVE DATE OF APPROVED MATERIAL
July 1, 2026

19. SIGNATURE OF APPROVING

20. TYPED NAME OF APPROVING OFFICIAL
George P. Failla, Jr.

21. TITLE OF APPROVING OFFICIAL
Director, Division of HCBS Operations and Oversight

22. REMARKS

II. Rates and Payments

- A. The State assures CMS that the capitated rates will be less than the cost to the agency of providing State plan approved services to an equivalent non-enrolled population group based upon the following methodology. Please attach a description of the negotiated rate setting methodology and how the State will ensure that rates are less than the amount the state would have otherwise paid for a comparable population.
1. X Rates are set at a percent of the amount that would otherwise have been paid for a comparable population.
 2. ___ Experience-based (contractors/State's cost experience or encounter data) (please describe)
 3. ___ Adjusted Community Rate (please describe)
 4. ___ Other (please describe)

AWOP Development

The Kentucky Department for Medicaid Services (DMS) collaborates with its contractor to determine the amounts that would otherwise have been paid (AWOP) for the population eligible for, but not enrolled in, the Program of All-Inclusive Care for the Elderly (PACE).

The process begins with the provision of the most recent statewide fee-for-service (FFS) claims data and enrollment information for the nursing facility certifiable population, which encompasses institutional (nursing home) and non-institutional (waiver) populations in the state. The PACE-comparable population is derived by identifying individuals aged 55 years and older who reside in counties included in the PACE service area. The FFS claims include all Medicaid covered services for the population eligible for, but not enrolled in, PACE.

AWOPs are developed for the PACE-comparable population by appropriately defining rating cohorts and service categories appropriate for a capitated rate structure described in the annual AWOP methodology letter. A series of adjustments is applied to ensure the data accurately reflects the anticipated experience during the upcoming contract period. Adjustments to the base data include, but are not limited to:

- IBNR (incurred but not reported)
- Reimbursement Adjustments (Nursing Facility, HCBS, etc.)
- Prospective Trend Adjustments
- Non-Medical Cost Loadings

A regional cost analysis is subsequently conducted to adjust the experience among the counties within the PACE service area. Separate per-member-per-month (PMPM) rates by cohort and region are calculated by blending AWOPs for nursing home and waiver populations. The population mix of the PACE-comparable group is established to blend the nursing home and waiver populations into the final rating cohorts used for payment. No members enrolled with any PACE organizations operational in the state, or their claims, are included in development of the AWOP.

Determination of the PACE Capitation Rate

The DMS determines rates as a percentage discount off the AWOP that may vary by cohort and region based on the following considerations:

1. The Commonwealth's expectations regarding PACE savings compared to FFS delivery by rating cohort and region.
2. Review of financial data reported by PACE organization(s) (PO).
3. Financial sustainability of PACE program.

Once the percentage discount off the AWOP is determined, no additional adjustments are made to the resulting rate amounts. PACE rates are determined in compliance with 42 CFR 460.182 and CMS guidance.

B. The State Medicaid Agency assures that the rates were set in a reasonable and predictable manner.

C. The State will submit all capitated rates to CMS for prior approval, and will include the name, organizational affiliate of any actuary used, and attestation/description of the capitation rates.

III. Enrollment and Disenrollment

The State assures that there is a process in place to provide for dissemination of enrollment and disenrollment data between the State and the State Administering Agency. The State assures that it has developed and will implement procedures for the enrollment and disenrollment of participants in the State's management information system, including procedures for any adjustment to account for the difference between the estimated number of participants on which the prospective monthly payment was based and the actual number of participants in that month.