

Kentucky, Facing Real Challenges

Q: What is the current situation regarding Kentucky's Medicaid budget?

A: Kentucky's Medicaid budget is facing a \$200-300 million shortfall over the next two years and that shortfall will nearly double when Kentucky's federal Medicaid match will increase from today's 6% to 10% in 2020, according to the administration.

Q: What authority does the Governor of Kentucky have in regards to Medicaid Expansion?

A: The Governor of Kentucky has the complete executive authority to end part or all of the expanded Medicaid coverage for the 500,000 current citizens.

Q: What authority does Kentucky's General Assembly have in regards to Medicaid Expansion?

A: The Kentucky General Assembly has the complete authority to consider conservative and comprehensive healthcare state tax reform and create a funding plan for retaining expanded Medicaid that is simpler, easier and fairer.

Q: How will Kentucky's efforts towards Medicaid Expansion lead the nation?

A: Kentucky can lead the nation by enacting conservative healthcare tax reform that lowers the current high tax rate and broadens the current narrow base. This reform will guarantee a more secure state funding source for Medicaid and make financially solvent the Medicaid expansion for 500,000 citizens of the Commonwealth.

Q: Why is conservative tax reform the solution to Medicaid's budget shortfall?

A: We understand that there are no easy choices to make when it comes to changing tax policy, but conservative tax reform has always erred on the side of "broader bases and lower rates" which are best for everyone.

Expanded Coverage at a Crossroads

Q: Who is responsible for the shortfall of the Medicaid budget?

A: No elected official in Kentucky – of either party – is responsible for today's Medicaid budget shortfall.

Q: What is the current conversation regarding Medicaid Expansion benefits?

A: There have been recent frank and serious conversations about ending some or all Medicaid expansion benefits as the Commonwealth faces a shortfall of \$200-\$300 million.

Q: Who ordered the Medicaid Expansion?

A: Kentucky's Medicaid expansion was enacted by Executive Order under the previous Governor and can be rescinded by Executive Order in the same manner - if it cannot be funded.

Q: What is Balanced Health Kentucky's approach to protect Medicaid Expansion?

A: As the Commonwealth pursues an "all of the above" strategy to balance the Medicaid budget, Balanced Health Kentucky, Inc. believes there is a simpler, easier and fairer way to protect Kentucky's expanded Medicaid population through the implementation of comprehensive conservative tax reform, which would apply only to Kentucky's healthcare economy.

Conservative Healthcare Tax Reform – Broader Base, Lower Rates, Fairer for All

Q: How many healthcare categories of providers are recognized by the state of Kentucky?

A: Federal law recognizes 18 healthcare categories of providers that make up Kentucky's healthcare economy. Each of these categories can participate in paying into the state's Medicaid program. These state dollars are then used to draw down 2.5 times that amount of money in federal funds for Medicaid.

Q: How many categories and rates is Balanced Health KY proposing?

A: Balanced Health Kentucky does not take a position as to which of the 18 categories to include or at what rate any category should be taxed; only that the 18 categories are available for review by the General Assembly. We do believe that the base should be as broad as possible with a rate as low as possible in order that one category is not overburdened and to meet the fiscal challenges facing Kentucky.

Q: How many of the recognized providers pay state provider taxes to fund Medicaid?

A: In Kentucky, only five of the 18 categories of our healthcare economy pay state provider taxes to fund Medicaid. Of those five categories, hospitals provide 61% of all state Medicaid tax revenues. The next category provides 27% with the last three categories providing 6%, 3%, and 3%. 15 categories provide 0%.

**Kentucky Provider
Tax Revenue By
Class (FY 2017)**

For its fiscal year ended June 30, 2017, Kentucky collected approximately \$296 million in provider taxes from the following classes of providers of healthcare items and services:

	Class	Taxes Paid	% of Total
1	Hospitals (inpatient and outpatient hospital services)	\$182,021,080	61%
2	Nursing-facility services	\$80,786,694	27%
3	Supports for Community Living	\$16,753,443	6%
4	ICF-MR	\$8,463,045	3%
5	Licensed home-health-care-agency services	\$8,198,558	3%
6	Physicians' services	\$0	0%
7	Outpatient prescription drugs	\$0	0%
8	Services of managed care organizations	\$0	0%
9	Ambulatory surgical centers services	\$0	0%
10	Dental services	\$0	0%
11	Podiatric services	\$0	0%
12	Chiropractic Services	\$0	0%
13	Optometric Services	\$0	0%
14	Psychological services	\$0	0%
15	Therapeutic/therapist services	\$0	0%
16	Nursing services	\$0	0%
17	Other laboratory and x-ray services	\$0	0%
18	Emergency ambulance services	\$0	0%
Total:		\$296,222,820	100%

Q: Is Medicaid Expansion financially sustainable?

A: While each healthcare category is vital to ensuring the overall health of Kentucky's families, over the past three decades there has never been a comprehensive review of Kentucky's healthcare tax system to ensure the financial sustainability of Medicaid.

Q: How are healthcare categories taxed?

A: Through decades of competition, national health policy change and industry growth, a great disparity has grown in how these different healthcare categories are taxed. This has created in Kentucky a narrow base of categories that are paying a high rate of taxation, while a super majority of categories are paying no provider taxes.

A: Kentucky's narrow provider tax base, which places the burden of taxes on a quarter of the healthcare categories (5) while exempting a super majority of the other healthcare categories (13), is the opposite of conservative tax policy.

Q: How do hospitals support Medicaid Expansion?

A: Hospitals have paid the state provider tax for every year since 1994 and are the only healthcare category that has paid into the state Medicaid fund every year and continue to be the super majority funding source at 61% of all state revenues.

A: The hospitals sought and the General Assembly capped our tax level in 2006 as hospital could no longer carry the burden for every other healthcare category. This cap is vital to protecting hospitals, many of which cannot continue with this high tax burden under Kentucky's narrow tax base.

Expanded Medicaid Coverage – Everyone is impacted

Q: Who does Kentucky's Medicaid Expansion program provide service for?

A: Kentucky's expanded Medicaid program provides coverage for approximately 500,000 individuals with income up to 138 percent of the federal poverty line.

A: For context, the 500,000 citizens covered under Medicaid expansion make up 11 percent of Kentucky's population. Put another way, if the population of Kentuckians receiving health benefits under Medicaid expansion all resided in the same city, they would be the second largest city in Kentucky, surpassing Lexington by 200,000 people.

Q: Is Medicaid Expansion essential?

A: While the Commonwealth faces serious and historical health challenges, maintaining expanded Medicaid coverage is essential to providing care.

Q: What are the demographics of Kentuckians receiving Medicaid benefits?

A: Kentuckians receiving benefits under Medicaid expansion are diverse in demographics and geography and come from each corner of the Commonwealth.

Q: How many Congressional Districts are in the state of Kentucky?

A: Kentucky has six Congressional Districts and each district has an average of 80,000 citizens on Medicaid expansion.

Q: How many Senate Districts are in the state of Kentucky?

A: Kentucky has 38 KY State Senate districts and each district has an average of 13,000 citizens on Medicaid expansion.

Q: How many House Districts are in the state of Kentucky?

A: Kentucky has 100 State House districts and each district has an average of 5,000 citizens on Medicaid expansion.

Kentucky's Health Economy

Q: What percentage of the Commonwealth's economy is represented by healthcare?

A: Kentucky's healthcare economy represents 8.2% of the Commonwealth's economy and 14.6% of its workforce.

Q: How would ending Medicaid Expansion impact the Commonwealth?

A: Ending Medicaid expansion would pose a direct and unprecedented threat to the Commonwealth's healthcare delivery system and local employers while jeopardizing the long-term growth and stability of Kentucky's healthcare economy.

About Balanced Health Kentucky Tool Kit for the General Assembly

Q: What is Balanced Health Kentucky?

A: Balanced Health Kentucky is a non-profit, non-partisan, organization created by a diverse group of hospital leaders to support comprehensive state healthcare tax reform to fund Medicaid expansion in Kentucky.

Q: How does Balanced Health Kentucky plan to fund Medicaid Expansion?

A: Working with industry professionals, legal experts and the Kentucky General Assembly's former chief economist, Balanced Health Kentucky is offering to lawmakers a complete legal review and an interactive and flexible budgetary toolkit to empower the General Assembly to craft conservative and comprehensive tax reform to fund Medicaid expansion.

Q: What is Balanced Health Kentucky's position on what healthcare categories should be taxed?

A: Balanced Health Kentucky does not take a position as to which of the 18 categories to include or at what rate any category should be taxed; only that the 18 categories are available for review by the General Assembly. We do believe that the base should be as broad as possible with a rate as low as possible in order that one category is not overburdened and to meet the fiscal challenges facing Kentucky.

Q: Is Balanced Health KY interested in obtaining endorsements at this time?

A: Balanced Health KY is not asking for endorsements at this time. Our key focus is educating the 138 members of the General Assembly.

Q: How will Balanced Health Kentucky aid lawmakers to fund Kentucky Medicaid Expansion?

A: In considering comprehensive healthcare tax reform, members of the General Assembly, their staff and the community at large, are being presented a legal and budgetary toolkit developed by Balanced Health Kentucky, Inc., using state data, current tax revenues and federal legal requirements, to create and new comprehensive tax framework to fully fund Kentucky's Medicaid system.

Q: Does Balanced Health Kentucky have the authority to determine the Medicaid Expansion budget?

A: In enacting any reform, the Kentucky General Assembly has the complete authority to determine how much of the healthcare economy to include and at what rate of taxation is needed for the Medicaid budget. Balanced Health Kentucky, Inc. seeks to be part of a conversation about conservative comprehensive tax reform to ensure funding for expanded Medicaid coverage for Kentucky.