

KY Hospital System Pitches New SDP Upper Payment Limit Approach To White House

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Representatives from the University of Kentucky HealthCare (UKHC) system met with White House budget officials last month to pitch an alternative way to determine upper payment limits for Medicaid state-directed payments (SDPs) as the White House reviews a draft CMS rule that will propose SDP payment formula options.

In an April 8 meeting with CMS' Center for Medicaid and CHIP Services (CMCS) and the Office of Management and Budget (OMB), the university hospital system called for a new approach in which CMS prioritizes investing in states with the highest care needs and lowest wage indexes rather than states such as New York and California that have high total Medicaid enrollment, and the agency establishes a new formula that "more accurately reflects the complex care needs of the traditional Medicaid population." UKHC also proposes CMS require all SDPs to place 20% of payments at risk tied to quality measures approved by CMS.

In slides presented at the meeting, posted to OMB's website, UKHC argues the mechanism would "combat waste fraud and abuse by creating guardrails of risk, quality and accountability," stating that "Kentucky's [SDP program] has a proven model through the state university teaching hospitals that aligns with the administration's goals that could be replicated throughout the nation." The hospital system claims that Kentucky's 2020 changes to its state-directed payment program have impacted 76,304 Medicaid patients across the UKHC system.

UKHC also argues Kentucky's SDP mechanism aligns with the Trump administration's "Make America Healthy Again" priorities, as it considers screenings for cancer, high blood pressure, and body mass index (BMI), among others.

UKHC's meeting comes as the White House budget office reviews a draft CMS rule that will propose for the first time alternatives to modify the limit on the total payment rate and other requirements for state directed payments in Medicaid Managed Care. CMS

will “propose these changes based on its authority to interpret and implement section 1903(m)(2)(A)(iii) of the Social Security Act, which requires contracts between States and Managed Care Organizations to provide payments under a risk-based contract for services and associated administrative costs that are actuarially sound,” according to a CMS description of the upcoming rule. “This rule also proposes to set a limit for certain targeted Medicaid practitioner payments in Medicaid fee-for-service,” CMS adds.

Under H.R. 1, SDPs for certain services in expansion states will be capped at 100% of the Medicare rate and 110% of Medicare rate in non-expansion states. The legislation created a vague temporary onramp for certain states with existing SDP agreements. Known as the grandfathering period, this pathway begins a 10% phase down each year starting in 2028 until it reaches the Medicare rate. -- *Sigi Ris* (sris@iwpnews.com)