



CABINET FOR HEALTH
AND FAMILY SERVICES

Kentucky Department for Medicaid Services

Community Engagement 1115 Demonstration Proposal

Draft for Public Comment

May 13, 2025

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Section I – Summary

The Kentucky Legislature passed House Bill 695 during the 2025 legislative session, which amends KRS 205.5371 to require the Cabinet for Health and Family Services (CHFS) to implement, to the extent permitted under federal law, a mandatory Community Engagement Waiver Program for able-bodied adults without dependents who have been enrolled in the Commonwealth’s medical assistance program for more than twelve (12) months. CHFS must include as a qualifying community engagement activity that non-exempt individuals participate in the Kentucky Education and Labor Cabinet’s Department of Workforce Development (DWD) job placement assistance program as established in KRS 151B.420. The job placement program provides one-on-one job placement coaching and support and prioritizes job placement with an employer who offers comprehensive health insurance coverage for medical and surgical services as an employee benefit.

As a result of House Bill 695, CHFS is seeking Social Security Act Section 1115 Demonstration authority to allow CHFS to automatically refer non-exempt members of the Medicaid expansion eligibility group to the DWD. DWD will reach out to these members for participation in the job placement assistance program. Additionally, CHFS seeks to implement quality initiatives, measures, and governance structures to improve coordination across Cabinet-level programs and between external ecosystem partners.

Through this Program, CHFS will seek to positively impact Kentuckians by providing referrals and supports to help lift individuals out of poverty by gaining employment through skills development and job assistance programs. Therefore, the goals for the proposed Demonstration are as follows:

- To expand current efforts to support individuals in gaining economic stability through linkages with educational and job assistance programs.
- To identify individuals who meet an exemption criterion and may have higher level of care needs and connect those individuals to necessary supports.

The Commonwealth respectfully requests the Centers for Medicare & Medicaid Services’ (CMS) review and approval of this Demonstration. The CHFS Department for Medicaid Services (DMS) will implement the program requirements within a reasonable time period not to exceed twenty-four (24) months after CMS approval.

Section II – Proposed Demonstration Program

Section II.A. Overview of Proposed Community Engagement Program

Participating in community engagement, such as education, employment, and social support, have been longstanding public health priorities with research indicating that such engagement plays a crucial role in shaping an individual’s health outcomes.¹ Potential benefits of such

¹ Nanette Goodman, The Impact of Employment on the Health Status and Health Care Costs of Working-age People with Disabilities, LEAD (Nov. 2015). https://leadcenter.org/wp-content/uploads/2021/07/impact_of_employment_health_status_health_care_costs_0.pdf

engagement extend beyond clinical care, influencing opportunities for healthier lifestyles, access to resources, and overall well-being. Community engagement can empower individuals, provide financial security, and foster social connection, all of which are linked to better physical and emotional health.² Investing in these areas provides opportunity to create stronger, healthier communities and may reduce health disparities across populations.³

For this reason, CHFS has long prioritized supporting individuals to identify opportunities to engage in their communities, educational activities, and job development with the ultimate goal of empowering and providing them with necessary tools to seek employment all while improving health outcomes. For example, the following supports are currently provided to Kentucky's Medicaid applicants and/or members:

- Kentuckians applying for Medicaid are given a questionnaire about potential needs that may be submitted with the individual's application. The questionnaire includes the following questions about employment status:
 1. Are you employed and able to meet your needs? If respond no:
 2. Which best describes your current employment situation?
 - a. **CRITICAL** No job.
 - b. **CRITICAL** I have temporary, seasonal, or part-time work that does NOT meet my needs; I need more employment.
 - c. **IMPORTANT** Full-time with no benefits or benefits that do not meet my needs. (Note: Benefits may include medical, dental, and vision insurance and retirement packages.)
 - d. **STABLE** I have temporary, seasonal, or part-time work that DOES meet my needs; I do not need more employment.
 - e. **STABLE** Full-time with benefits that meet my needs.

Individuals who do not respond as "stable" are connected with the kynect resources platform to be able to initiate referrals for additional resources, including connections to employment assistance. kynect is a self-service portal provided by the Commonwealth as a "one-stop" shop to identify programs, community resources, and assistance that individuals can access within the Commonwealth.

² See, Trudy Millar Krause et al., The Association of Social Determinants of Health with Health Outcomes (March 2021) The American Journal of Managed Care, Vol. 27, No. 3.

https://www.researchgate.net/profile/Linda_Highfield/publication/349569815_The_Association_of_Social_Determinants_of_Health_With_Health_Outcomes/links/60366286a6fdcc37a84d824e/The-Association-of-Social-Determinants-of-Health-With-Health-Outcomes.pdf?_sg%5B0%5D=started_experiment_milestone&origin=journalDetail

³ <https://odphp.health.gov/healthypeople/priority-areas/social-determinants-health/literature-summaries/employment#cit6>

- Through the Kentucky Medicaid Managed Care (MMC) Program, all five (5) of the Commonwealth's currently contracted Medicaid managed care organizations (MCOs) offer General Educational Development (GED) assistance, criminal expungement, and job coaching as a value-added benefit. Examples of benefits available to MCO enrollees include:
 - \$1,000 for trade school/college after completing certain GED/job skills training.
 - A lifetime benefit of \$250 for free GED preparation and testing.
 - Free GED Test and a \$50 gift card for passing.
 - GED coaching, prep, and testing.
 - Steps2Success + GED, \$1,000 College and Trade School. Steps2Success is a program that provides free job training and financial education classes.

Additionally, three (3) MCOs provide job seeker support for their enrollees. Examples of job seeker support include: childcare, interview preparation, transportation vouchers; online housing, employment, and money management skills training; and, goodwill partnerships for job skills development and placement.

- CHFS is implementing an 1115 waiver around incarceration that furthers the Second Chance initiative established by Governor Andy Beshear's administration in 2019. This initiative aims to support individuals in overcoming barriers to employment and reintegrating into society after involvement in the criminal justice system. It offers resources such as job placement assistance, educational opportunities, and recovery support, all designed to help Kentuckians rebuild their lives and reduce recidivism. The program reflects the Commonwealth's commitment to providing second chances for a brighter future.

A particularly successful job placement assistance program, and the focus for this proposed Demonstration, is a collaboration between CHFS and the Kentucky Department of Workforce Development (DWD). Specifically, all Medicaid applications include a data field for applicants to indicate if they consent to CHFS sharing their information with DWD for job placement supports. DWD assists individuals with apprenticeships, career development, education, employment and training, and prepares them to enter the workforce, advance their careers, improve job performance, and fill skills gaps.⁴ CHFS has experienced many applicants opting to provide information to DWD, including 21,260 total individuals in the period from January 2024 to mid-April 2025.

Through this Demonstration proposal, CHFS seeks to build upon this job placement assistance program with DWD by automatically referring non-exempt members of the Medicaid expansion eligibility group to the DWD. The DWD will contact these members for participation in the job placement assistance program. This Community Engagement Waiver Program will apply for the

⁴ Department of Workforce Development. <https://elc.ky.gov/Agencies/Pages/Department-of-Workforce-Investment.aspx>

following able-bodied Medicaid expansion adults who have been enrolled for more than twelve (12) months:

- Individuals who are between nineteen (19) and sixty (60) years of age.
- Individuals who are physically and mentally able to work as defined by the Cabinet.
- Individuals who are not primarily responsible for the care of a dependent child under age eighteen (18) or a dependent disabled adult relative.

While any Medicaid member may request assistance from the Kentucky DWD, CHFS will exempt Medicaid expansion eligibility group members who meet at least one of the following criteria from automatic referral to DWD:

- Individuals who are under nineteen (19) years of age or over sixty (60) years of age.
- Individuals who are responsible for the care of a dependent child under age eighteen (18) or a dependent disabled adult relative.
- Full-time students.
- Individuals with verified earned income.
- Individuals with a diagnosed substance use disorder or serious mental illness.
- Pregnant women.
- Individuals with a chronic disease as determined by the Cabinet.
- Individuals whose eligibility has been determined based on disability or who have been deemed disabled by the Social Security Administration.
- Individuals already participating in a workforce participation program that the Cabinet has determined meets the objective of the Community Engagement Waiver Program (e.g., SNAP as defined at 7 C.F.R. 273.24).
- Individuals who are homeless or who were recently homeless for up to six (6) months post-housing.
- Individuals who are receiving Unemployment Insurance income benefits.
- Individuals who have an acute medical condition (physical and/or behavioral) that would prevent them from complying with the requirements.
- Victims of domestic violence.
- Individuals who have recently been directly impacted by a catastrophic event such as a natural disaster or the death of a family member living in the same household.

- Former foster youth (FFY) up to age 26.
- Other good cause exceptions as approved by CHFS.

To operationalize the new Demonstration Program, CHFS will continue its current process of providing information to DWD for all applicants who were determined eligible and enrolled in Medicaid and who opted to share their information. The Medicaid application will also be updated to include a signature field for individuals to agree to referral to the DWD if they are determined as non-exempt. With this change, CHFS will also implement a process for Medicaid expansion eligibility group members to request exemption and to appeal if they do not meet an exemption criterion.

Additionally, CHFS will implement an outreach initiative as follows for members enrolled in the Medicaid expansion eligibility group:

- **Newly Enrolled Members.** CHFS will send letters to new members upon initial enrollment, at six (6) months, and again at twelve (12) months to inform them about the Community Engagement Program. Individuals may choose to participate in the program prior to being enrolled in the Medicaid program for twelve (12) months.
- **Existing Members:** At launch, CHFS will identify existing members who meet the criteria of this Demonstration. CHFS will send outreach letters to these members providing thirty (30)-day notice that they will be referred to and contacted by DWD unless they meet an exemption criterion. Additionally, CHFS will remind members at their eligibility redetermination periods of the available resources DWD has to offer and encourage their engagement.
- **Managed Care Program Enrollees:** CHFS may also engage DMS's contracted MCOs to provide additional outreach about the Program to their enrollees.

Outreach letters will include information about DWD and its offerings, will remind new members that they consented for their information to be provided to DWD, and will include information about how to request an exemption. Members will be allowed to self-attest to meeting an exemption criterion, and CHFS will verify that they meet the requested exemption(s) using existing information and available data (e.g., review of claims data for relevant chronic condition diagnoses). Members will not be required to submit additional information to support the review of the exemption request.

CHFS and DWD will continually collaborate about the Community Engagement Program and will track progress and success of increasing participation levels through sharing of Medicaid expansion eligibility group member information. Efforts are underway to identify necessary systems changes to share information and to track important data to understand the impact of the Program.

Following implementation of the waiver, a minimal impact to enrollment is expected for members who are able to identify gainful employment through the community engagement process and therefore are no longer eligible for Medicaid. CHFS views this new initiative to refer

all non-exempt Medicaid expansion members to DWD as a next step in an iterative process that CHFS is undertaking to improve quality and health outcomes for Kentuckians. Implementing additional support for Medicaid expansion eligibility group members to gain economic stability will, in turn, further Kentucky Medicaid's mission of providing quality healthcare services that result in positive outcomes for eligible Kentuckians.

Section II.B. Demonstration Area and Delivery System

The Demonstration will take place statewide. Individuals will continue to receive the authorized Medicaid coverage and will be served through the same delivery systems in which they are currently enrolled.

Section II.C. Demonstration Timeframe

The Commonwealth seeks a five (5)-year approval period for the proposed Demonstration beginning on the date approved by CMS. The CHFS DMS will implement the program requirements within a reasonable time period not to exceed twenty-four (24) months after CMS approval.

Section III – Demonstration Eligibility

Section III.A. Demonstration Eligibility Group

The proposed Demonstration will apply to Kentucky's Medicaid expansion eligibility group, which the Commonwealth implemented in 2014 under the Affordable Care Act, increasing Medicaid access to hundreds of thousands of Kentuckians. Medicaid expansion in Kentucky covers nearly all adults up to 138% of the Federal Poverty Level (FPL), and as of May 2025 there are 459,380 individuals in the Medicaid expansion eligibility group.

Section III.B. Impact to Eligibility

The Commonwealth is not requesting any eligibility changes for the Medicaid expansion eligibility group.

Section III.C. Enrollment Limits

CHFS has not proposed enrollment limits for this Demonstration.

Section III.D. Projected Eligibility and Enrollment

Following implementation of the waiver, a minimal impact to enrollment is expected for members who are able to identify gainful employment through the community engagement process and therefore are no longer eligible for Medicaid. It is estimated that approximately 75,000 individuals will be subject to the requirements of this waiver; however, the demonstration is not expected to have a material impact on eligibility and enrollment. Note, this estimate is not based on the number of members that have achieved 12 months of enrollment, as such figures vary considerably from month to month.

Section IV – Benefits and Cost-Sharing Requirements

The Commonwealth is not requesting changes to benefits or cost-sharing requirements for individuals in the Medicaid expansion eligibility group through this Demonstration.

Section V – List of Proposed Waivers and Expenditure Authorities

The Commonwealth is requesting the following waivers necessary to implement the policies described in this proposed Demonstration. CHFS will work with CMS during the federal review period to make any necessary modifications to this request.

1. ***Disclosure of information, Section 1902(a)(7)(A).*** To the extent necessary to enable the Commonwealth to disclose information concerning Medicaid expansion group members to the Kentucky Department of Workforce Development.
2. ***42 CFR 435.907(e).*** To the extent necessary to enable the Commonwealth to require that applicants provide a signature agreeing to be automatically referred to the DWD if enrolled in the Medicaid expansion eligibility group and determined as non-exempt from the Community Engagement Program.

Section VI – Demonstration Goals and Hypotheses

Tables 1 and 2 below detail the goals of the proposed Demonstration, as well as preliminary hypotheses, measurements, and data sources, which have been developed consistent with CMS guidance for evaluation of 1115 Demonstrations. CHFS will submit a final, detailed evaluation methodology following CMS approval of the proposed Demonstration.

Goal 1

To expand current efforts to support individuals in gaining economic stability through linkages with educational and job assistance programs.

Table 1. Proposed Demonstration Goals and Hypotheses

Hypothesis 1	Potential Measurement(s)	Data Source(s)
The Demonstration will increase the number of Medicaid expansion group members engaged with the Department of Workforce Development (DWD).	<ul style="list-style-type: none"> • The number and percentage of Medicaid expansion group members who requested referral to DWD at time of Medicaid application. • The number and percentage of Medicaid expansion group members who did not opt in at time of Medicaid application but who CHFS referred to DWD as they did not meet an exemption status. 	<ul style="list-style-type: none"> • CHFS referrals to DWD. • DWD data for the number of Medicaid expansion group members contacted and agreed to participate.

Hypothesis 1	Potential Measurement(s)	Data Source(s)
The Demonstration will increase the number of Medicaid expansion group members who are connected with training and educational supports to prepare them for employment.	<ul style="list-style-type: none"> The number and percentage of Medicaid expansion group members who DWD connected to training and educational supports. 	<ul style="list-style-type: none"> DWD report.
The Demonstration will increase the number of Medicaid expansion group members who are connected to employment opportunities.	<ul style="list-style-type: none"> The number and percentage of Medicaid expansion group members who DWD connected to employment opportunities. 	<ul style="list-style-type: none"> DWD report.

Goal 2

To identify individuals who meet an exemption criterion and may have higher level of care needs and connect those individuals to necessary supports.

Table 2. Proposed Demonstration Goals and Hypotheses

Hypothesis 1	Potential Measurement(s)	Data Source(s)
The Demonstration exemption process will increase the identification of Medicaid expansion group members who have additional care needs.	<ul style="list-style-type: none"> The number and percentage of Medicaid expansion group members who are verified as having an exemption from referral to DWD. 	<ul style="list-style-type: none"> Reporting on exempted members.
The Demonstration exemption process will increase the number of Medicaid expansion group members who receive outreach and assessment from their assigned MCO and who are connected with services to meet their healthcare needs.	<ul style="list-style-type: none"> The number and percentage of exempted Medicaid expansion group members who MCOs connect with additional services based on their identified healthcare needs. 	<ul style="list-style-type: none"> Reporting on exempted members. MCO reporting on outreach and referrals.

Section VII – Demonstration Financing and Budget Neutrality

While the Commonwealth anticipates incurring certain administrative expenses due to systems changes and additional staffing, currently, no federal expenditure authorities are required to operate the proposed Demonstration and none are being requested. As such, the Demonstration budget neutrality calculation for this waiver utilizes the hypothetical budget neutrality test on a per member per month (PMPM) basis. The “Without Waiver” calculations utilize DY 00 enrollment and managed care projected payments as of July 2025. Utilizing an enrollment growth of 0% and PMPM trend of 5%, DMS developed a five-year projection. The “With Waiver” calculations assume a similar PMPM value and trend but reflects a minimal 0.20% decrease in enrollment on an annual basis starting in DY 02. This decrease assumes that a portion of the members subject to the community engagement requirement will identify gainful employment as a result of the increased communication and connection to available employment resources that will result in increased income over the Medicaid program eligibility limits. The resulting spend difference over the five-year projection period is approximately \$184.6 million.

Table 3. WW and WOW Demonstration Years

Without-Waiver Total Expenditures						
	DEMONSTRATION YEARS (DY)					TOTAL
	DY 01	DY 02	DY 03	DY 04	DY 05	
Adult Expansion MEG 1	\$7,981,542,450	\$8,380,644,300	\$8,799,693,000	\$9,239,677,650	\$9,701,642,300	\$44,103,199,700
TOTAL	\$7,981,542,450	\$8,380,644,300	\$8,799,693,000	\$9,239,677,650	\$9,701,642,300	\$44,103,199,700
With-Waiver Total Expenditures						
	DY 01	DY 02	DY 03	DY 04	DY 05	TOTAL
Adult Expansion MEG 1	\$7,981,542,450	\$8,363,883,011	\$8,764,529,459	\$9,184,350,561	\$9,624,262,213	\$43,918,567,694
TOTAL	\$7,981,542,450	\$8,363,883,011	\$8,764,529,459	\$9,184,350,561	\$9,624,262,213	\$43,918,567,694
Net Overspend	\$0	\$16,761,289	\$35,163,541	\$55,327,089	\$77,380,087	\$184,632,006

Table 4. PMPM Trend Rates

MEG(s)	Trend Rate	DY 01	DY 02	DY 03	DY 04	DY 05
Adult Expansion MEG 1	5.0%	\$1,452.51	\$1,525.14	\$1,601.40	\$1,681.47	\$1,765.54

Section VIII – Public Notice

Public Notice Process

In accordance with 42 CFR § 431.408, DMS conducted a thirty (30)-day public notice and comment period beginning on May 13, 2025 and ending on June 12, 2025. DMS conducted the following public notice activities:

- Posted all materials on the DMS website at:
<https://www.chfs.ky.gov/agencies/dms/Pages/Medicaid-SUD-1115-Waiver.aspx>.
- Provided social media postings about the Demonstration and public notice period.
- Sent alerts through the GovDelivery listserv platform utilized by DMS.
- Accepted written comments by email and mail.
- Conducted two (2) public forums, including virtual capabilities to assure accessibility throughout the Commonwealth.

See Appendix A for the abbreviated and full public notices and Appendix B for a summary of comments received and Commonwealth responses.

Tribal Notice Process

Kentucky does not have any tribal units.

Section IX – Demonstration Administration

Please provide the contact information for Kentucky's point of contact for the Demonstration application.

Name: Leslie H. Hoffmann

Title: Deputy Commissioner

Agency: Department for Medicaid Services

Address: 275 East Main Street

City/State/Zip: Frankfort, Kentucky 40601

Telephone Number: 502.564.4321, Ext. 2883

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Appendix A: Public Notices

To be inserted for final application submitted to CMS.

Appendix B: Summary of Public Comments

To be inserted for final application submitted to CMS.