

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$279,274		\$394,358	
CASH FUNDS				
FEDERAL FUNDS	\$895,619		\$1,627,048	
OTHER FUNDS				
TOTAL FUNDS	\$1,174,893		\$2,021,406	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

This bill would require the Department of Health and Human Services (DHHS) to submit either a waiver or state plan amendment to the Centers for Medicare and Medicaid Services (CMS) no later than January 1, 2025 for the purpose of designating two medical respite facilities to reimburse for services to qualifying individuals. One of the respite facilities is required to be in a city of the metropolitan class and the other in a city of the primary class. Once the submission is approved, DHHS is required to submit a report to the Health and Human Services Committee of the Legislature on or before November 30 of each year detailing the number of people experiencing homelessness served at each facility, the cost of the program, and the amount of reduction in health care costs due to implementation.

Assuming an implementation date of January 1, 2025, DHHS estimates a total fiscal impact of \$6,835,635 in FY25 and \$13,342,889 in FY26. These figures include administration costs and aid based on the assumptions of 2,090 individuals experiencing homelessness take advantage of the respite waiver for one stay per year at the average length of stay of 37.5 days at the rate of \$240 per day. This would yield an average cost of stay of approximately \$9,000. DHHS does include in their total calculation acknowledgement of cost savings associated with fewer emergency room visits, \$5,900,000 in savings for a full year of implemented Medicaid respite waiver.

Though it is possible that all Nebraskans experiencing homelessness may qualify for Medicaid and take advantage of the newly available service, the likelihood of this happening is doubtful. The rate of \$240 per day is also questionable; though that figure falls in the middle of the national range for respite services it is reasonable to assume a moderately lower daily rate for Nebraska.

As such, an alternate estimate assuming 500 individuals experiencing homelessness per year take advantage of the respite services for 30 days per year at a rate of \$200 per day yields a cost of \$3,000,000 for a full year, and \$1,500,000 for the first 6 months. Applying ER savings proportional to the population assumption, 23.9% of both the population served and ER savings compared to the DHHS estimate, plus the agency’s estimate of administrative expenses of 2 FTE Program Specialists and \$250,000 per year for a contract to monitor the program, the total alternate estimate is \$1,174,893 in FY25 and \$2,021,406 in FY26.

Aid expenses utilize a fund mix of 88.8% Federal Funds and 11.2% General Funds whereas administrative expenses require 50% Federal Funds and 50% General Funds contribution.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	905	AM:	AGENCY/POLT. SUB: Nebraska Department of Health & Human Services	
REVIEWED BY:	Ann Linneman	DATE:	1-30-2024	PHONE: (402) 471-4180
COMMENTS: Concur with the Nebraska Department of Health & Human Services’ assessment of fiscal impact.				

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

Prepared by: (3) John Meals

Date Prepared 1-29-2024

Phone: (5) 471-6719

	<u>FY 2024-2025</u>		<u>FY 2025-2026</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$913,060		\$1,661,930	
CASH FUNDS				
FEDERAL FUNDS	\$5,922,575		\$11,680,959	
OTHER FUNDS				
TOTAL FUNDS	\$6,835,635	\$0	\$13,342,889	\$0

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB905 requires Medicaid to submit to the Centers for Medicare and Medicaid Services (CMS) for approval a state plan amendment (SPA) or waiver to cover medical respite services for homeless individuals covered under the adult expansion group. This bill requires Medicaid to designate two facilities to provide these services to the targeted population.

This fiscal note assumes a waiver would be utilized. The fiscal impact from this bill would include the effort needed from Medicaid operational staff and contractors to develop, submit, and oversee a demonstration waiver request to CMS. To fulfill the work needed to develop and oversee the waiver, the Department of Health and Human Services (DHHS) will need to hire two additional Program Specialists starting October 1, 2024, at a cost of \$130,635 in SFY 2025 and \$182,889 in SFY 2026. In addition to the new positions, a contractor will need to be utilized to assist with the waiver development and required on-going monitoring and evaluation of the waiver. The estimated annual expense for this contractor is \$250,000 per year. Administration costs are assumed at 50% Federal Funds and 50% General Funds.

If the waiver is accepted by CMS, the fiscal impact will also include the expenditures needed for these respite services. Given a target population of 2,090 people (population in Omaha and Lincoln), an average respite stay of 37.5 days, and an average daily cost of \$240, the resulting aid expenditures for the respite services are an estimated \$18,810,000 per year. With an effective date of January 1, 2025, the total for SFY25 is \$9,405,000. We do not have data available on possible utilization of the homeless targeted population, such as if all of them will take it up or if some will have more than one stay in a year; for this fiscal note we have assumed one respite stay per person per year.

As a result of the respite care provided by LB905, cost savings are assumed to be available due to less emergency room (ER) visits and inpatient (IP) hospital stays needed for this population. Based on 2023 data, the total cost for the targeted population related to ER visits and IP stays was approximately \$5,900,000. We do not have data available on what impact the respite care services will have on the reduction in ER visits and IP stays; this fiscal note assumes a reduction of 100% which results in annual savings of \$5,900,000. For SFY25, the total savings is \$2,950,000. Offsetting these savings with the respite care expenses above, the net result is \$6,455,000 in additional annual aid expenditures for SFY25. Using a blended rate of 88.80% for Federal Funds, the fiscal impact to SF25 is \$5,732,257 Federal Funds and \$722,743 General Funds. For SFY26, the total net impact is \$12,910,000, with \$11,464,515 Federal Funds and \$1,445,485 General Funds.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:	POSITION TITLE	NUMBER OF POSITIONS		2024-2025	2025-2026
		24-25	25-26	EXPENDITURES	EXPENDITURES
	DHHS Program Specialist	1.5	2.0	\$76,374	\$106,924

Benefits.....	\$26,731	\$37,423
Operating.....	\$277,530	\$288,542
Travel.....		
Capital Outlay.....		
Aid.....	\$6,455,000	\$12,910,000
Capital Improvements.....		
TOTAL.....	\$6,835,635	\$13,342,889