

NEBRASKA



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DEPT. OF HEALTH AND HUMAN SERVICES

Division of Medicaid & Long-Term Care

Nursing Facility Inflation Factor Calculation Report

August 1, 2020

Prepared in Accordance with LB 294 (2019)



August 1, 2020

Patrick O'Donnell, Clerk of the Legislature
Legislative Fiscal Office
P.O. Box 94604
Lincoln, NE 68509

Dear Mr. O'Donnell and Legislative Fiscal Office:

The Division of Medicaid and Long-Term Care (MLTC) submits this report as required in LB294 to the Clerk of the Legislature and the Legislative Fiscal Office on how the Inflation Factor was calculated for State Fiscal Year 2020-21 Nursing Facility Rates.

The inflation factor specified in Nebraska State Plan section 12-011.08D5 Base Year Report Period and Inflation Factor, is determined by MLTC from spending projections using:

1. Audited base year cost and census data;
2. Budget directives from the Nebraska Legislature; and
3. Funding generated by the Nursing Facility Quality Assurance Assessment.

First, MLTC computed rates before the inflation factor, to determine the projected expenditures for Nursing Facilities for SFY2020-21 which calculated to be \$371,879,759.

Second, MLTC referenced the specific amounts appropriated per LB294, page 47 to determine the legislative intent and budget directives as required in step two, above. These amounts are \$350,795,952.

Third, MLTC calculated the Nursing Facility Quality Assurance Assessment rate add on portion of the rates using the referenced data. These amounts are \$26,940,468.

Finally, utilizing these three sets of data, MLTC arrived at a positive 1.51% inflation factor to apply to the projected spend from the base year cost report data of \$371,879,759, in order to arrive at the legislatively appropriated amounts of \$350,795,952, plus the Nursing Facility Quality Assurance Assessment amount of \$26,940,468, for a total projected expenditure amount of \$377,736,420.

Please find, enclosed, four files with detailed information supporting this summary report. For any questions regarding this report and enclosures, please contact Jeremy Brunssen at Jeremy.Brunssen@nebraska.gov or (402) 471-5046.

Sincerely,

A handwritten signature in black ink, appearing to be 'JB', with a long horizontal stroke extending to the right.

Jeremy Brunssen
Deputy Director – Finance and Program Integrity
Division of Medicaid and Long-Term Care
Nebraska Department of Health and Human Services

Enclosures

NURSING FACILITY LEGISLATIVE DIRECTION AND PROJECTED EXPENDITURES
SFY21

The inflation factor specified in State Plan section 12-011.08D5 is determined from spending projections using:

1. Audited cost and census data following the initial desk audits;
2. Budget directives from the Nebraska Legislature; and
3. Funding generated by the Nursing Facility Quality Assurance Assessment.

2020-21 Legislative Direction (State + Federal Funds):

LB294 directed DHHS Medicaid and Long-Term Care to use the specific amounts shown below in the calculations of the SFY21 inflation factor and the resulting Medicaid rates. Appropriation amounts from LB294 (referenced below), are detailed on the attached "LB294 Pages 46-47" file. These amounts, and the Quality Assurance Assessment (QAA) amounts, are also detailed on the attached "NF Calculations" file, which was used to determine the LB294 amounts and the legislative intent.

		Source Reference
Base Appropriation	\$336,349,731	NF Calculations
Rate Enhancements	\$14,446,221	LB294, Page 47, Line 8
Total Appropriation Before QAA	\$350,795,952	LB294, Page 47, Line 6
QAA Add-on Payments	\$6,253,729	
QAA to Increase Inflation Factor per Legislative Direction	\$20,686,739	NF Calculations: (\$377,736,420
QAA Total per Legislative Direction	\$26,940,468	- \$350,795,952 = \$26,940,468)
Total Target Expenditures with QAA per Legislative Direction	\$377,736,420	NF Calculations

2020-21 Projected Expenditures (State + Federal Funds):

Computing rates under the new methodology, with FYE 6/30/2018 base year cost reports, required a positive 1.51% inflation factor to arrive at a projected spend that approximates the \$377,736,420 target amount directed by LB294.

Nursing Facilities: With a positive 1.51% Inflation Factor and QAA add-on	\$350,537,019	
NF Special Needs: With a positive 1.51% Inflation Factor and QAA add-on	\$27,234,848	
Total Projected Expenditures with QAA	\$377,771,867	
Difference (Projected - Target)	\$35,447	

1 No. 348 - Medical Assistance

2 No. 349 - Medicaid Expansion Aid

3 There is included in the appropriation to this program for FY2019-20
4 \$860,304,131 General Funds, \$46,851,581 Cash Funds, and \$1,261,738,910
5 Federal Funds estimate for state aid, which shall only be used for such
6 purpose. There is included in the appropriation to this program for
7 FY2020-21 \$917,144,136 General Funds, \$46,851,581 Cash Funds, and
8 \$1,687,882,991 Federal Funds estimate for state aid, which shall only be
9 used for such purpose.

10 There is included in the amount shown as aid for this program for
11 FY2019-20 \$4,765,896 Cash Funds for the continuation of the behavioral
12 health provider rate increase and behavioral health provider rate
13 increase for managed care, inpatient services, and residential treatment
14 services provided with funds from the Nebraska Health Care Cash Fund.
15 There is included in the amount shown as aid for this program for
16 FY2020-21 \$4,765,896 Cash Funds for the continuation of the behavioral
17 health provider rate increase and behavioral health provider rate
18 increase for managed care, inpatient services, and residential treatment
19 services provided with funds from the Nebraska Health Care Cash Fund.

20 There is included in the amount shown as aid for this program for
21 FY2019-20 \$450,000 Cash Funds from the Nebraska Health Care Cash Fund for
22 a state plan amendment covering tobacco-use cessation in compliance with
23 Title XIX of the federal Social Security Act. There is included in the
24 amount shown as aid for this program for FY2020-21 \$450,000 Cash Funds
25 from the Nebraska Health Care Cash Fund for a state plan amendment
26 covering tobacco-use cessation in compliance with Title XIX of the
27 federal Social Security Act. The smoking cessation funding for FY2019-20
28 and FY2020-21 is for the costs of tobacco-use cessation counseling and
29 tobacco-use cessation pharmaceuticals approved by the federal Food and
30 Drug Administration for such purpose.

31 There is included in the appropriation to this program \$336,349,731

1 (\$154,081,812 General Funds and \$182,267,919 Federal Funds) for nursing
2 facilities in FY2019-20, which includes a one-time payment increase of
3 \$7,400,000 (\$3,389,940 General Funds and \$4,010,060 Federal Funds) and
4 \$13,851,307 (\$6,345,284 General Funds and \$7,506,023 Federal Funds) for
5 utilization changes and rate enhancement.

6 There is included in the appropriation in this section \$350,795,952
7 (\$158,840,407 General Funds and \$191,955,545 Federal Funds) for nursing
8 facilities in FY2020-21 which includes \$14,446,221 (\$6,541,249 General
9 Funds and \$7,904,972 Federal Funds) for utilization changes and rate
10 enhancement.

11 It is the intent of the Legislature that the total nursing facility
12 appropriation amount, including utilization changes and rate enhancement
13 shall be used in Step 2 directives of the Legislature of the Inflation
14 Factor calculation process, as described in 471 NAC 12-011.08D5, in
15 effect on January 1, 2019, for FY2019-20 and FY2020-21.

16 The Department of Health and Human Services shall file a report with
17 the Legislative Fiscal Office and the Clerk of the Legislature no later
18 than August 1, 2019, on how the Inflation Factor was calculated for
19 FY2019-20 rates and no later than August 1, 2020, on how the Inflation
20 Factor was calculated for FY2020-21 rates.

21 It is the intent of the Legislature that phased-down state
22 contributions to the federal government as defined and required by the
23 federal Medicare Prescription Drug, Improvement, and Modernization Act of
24 2003 may be made from appropriations to this program.

25 The chief executive officer of the Department of Health and Human
26 Services may certify to the budget administrator of the budget division
27 of the Department of Administrative Services FY2019-20 and FY2020-21
28 unexpended appropriation balances for Medical Assistance, Program No.
29 348, available to transfer to Developmental Disabilities Aid, Program No.
30 424, to be used only to maintain individuals with an intellectual or
31 developmental disability in a medicaid program that best serves their

2020-21 Projected Spending (State + Federal Funds):					
Special Needs	27,234,848	(NET OF POS)			
Nursing Facilities	350,537,019	(NET OF POS)			
Total Projected Expenditures (with QAA)	<u>377,771,867</u>	INFLATION FACTOR	1.0151		1.51%

2020-21 Legislative Direction (State + Federal Funds):	
Base Appropriation	336,349,731
Rate Enhancement	7,567,869
2.00% Rate Increase	<u>6,878,352</u>
Total Appropriation (Before QAA)	350,795,952
QAA Add-on Payments - Special Needs	160,599
QAA Add-on Payments - NF	6,093,130
QAA \$\$ to Increase Inflation Factor	<u>20,686,739</u>
Total Target Expenditures (with QAA)	<u>377,736,420</u>

Difference	<u>35,447</u>
(Should be as close to zero as possible and a positive amount)	

Total QAA Expenditures per Legislative Direction	26,940,468
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Nursing Facilities Calculations

	FY 20 FY 19 Est	GF	FF
Base (only appropriations)	315,098,424		
1X Adjustment	7,400,000	3,389,940	4,010,060
Subtotal	322,498,424	147,736,528	174,761,896
2.25% Utilization	7,256,215	3,324,072	3,932,143
Subtotal	329,754,639	151,060,600	178,694,039
2% Rate	6,595,093	3,021,212	3,573,881
Total	336,349,731	154,081,812	182,267,919
Total Expend (with QAA)	363,290,199	166,423,240	196,866,959
Rate and Utilization	13,851,307	6,345,284	7,506,023
Total Increase	21,251,307	9,735,224	11,516,083
	FY 21		
FY 20 Base	336,349,731	152,299,158	184,050,573
2.25% Utilization	7,567,869	3,426,731	4,141,138
Subtotal	343,917,600	155,725,889	188,191,711
2% Rate	6,878,352	3,114,518	3,763,834
Total	350,795,952	158,840,407	191,955,545
Total Expend (with QAA)	377,736,420	171,039,051	206,697,369
Rate and Utilization from FY 20 base	14,446,221	6,541,249	7,904,972
Total Increase	35,697,528	16,163,841	19,533,687
	FY 20 Match	FY 21 Match	
GF match	0.4581	0.4528	
FMAP	0.5419	0.5472	