

**NEBRASKA**

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DEPT. OF HEALTH AND HUMAN SERVICES

# **Division of Medicaid and Long-Term Care**

## **Nursing Facility Inflation Factor Calculation Report**

**December 15, 2022**

LB380 (2021)



December 15, 2022

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 LB380 to the Clerk of the Legislature and the Legislative Fiscal Office on how the Inflation Factor was calculated for State Fiscal Year 2022-23 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 SFY2022-23 which calculated to be \$334,755,950.

Second, MLTC referenced the specific amounts appropriated per LB1011, page 31 to determine the legislative intent and budget directives as required in step two, above. These amounts are \$436,263,610.

Third, MLTC calculated the Nursing Facility Quality Assurance Assessment rate add-on portion of the rates. These amounts are \$17,893,178.

Finally, utilizing these three sets of data, MLTC arrived at a positive 35.74% inflation factor to apply to the projected spend from the base year cost report data of \$334,755,950, in order to arrive at the legislatively appropriated amounts of \$463,263,610, plus the Nursing Facility Quality Assurance Assessment amount of \$17,893,178, for a total projected expenditure amount of \$454,397,659.

Please find, enclosed, three 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](mailto:Jeremy.Brunssen@nebraska.gov) or (402) 471-5046.

Sincerely,  
Kevin Bagley, Director *KB*  
Division of Medicaid and Long-Term Care  
Nebraska Department of Health and Human Services

Attachments: 3

NURSING FACILITY LEGISLATIVE DIRECTION AND PROJECTED EXPENDITURES  
SFY23

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.

**2022-23 Legislative Direction (State + Federal Funds):**

LB1011 directed DHHS Medicaid and Long-Term Care to use the specific amounts shown below in the calculations of the SFY23 inflation factor and the resulting Medicaid rates.

Appropriation amounts from LB1011 (referenced below), are detailed on the attached "LB1011 Pages 30-31" 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 LB1011 amounts and the legislative intent.

		<u>Source Reference</u>
Total Appropriation Before QAA	<u>\$436,263,610</u>	LB1011, Page 31
QAA Add-on Payments	\$5,284,115	
QAA to Increase Inflation Factor per Legislative Direction	<u>\$12,609,063</u>	NF Calculations: (\$454,156,788
QAA Total per Legislative Direction	<u>\$17,893,178</u>	- \$436,263,610 = \$17,893,178)
<b>Total Target Expenditures with QAA per Legislative Direction</b>	<b><u>\$454,156,788</u></b>	NF Calculations

**2022-23 Projected Expenditures (State + Federal Funds):**

Computing rates under the new methodology, with FYE 6/30/2018 base year cost reports, required a positive 35.74% inflation factor to arrive at a projected spend that approximates the \$ 454,156,788 target amount directed by LB1011.

References below are to the attached "SFY22 Rates & Projected Spend" Excel file.

Nursing Facilities: With a positive 35.74% Inflation Factor and QAA add-on	\$413,522,485
NF Special Needs: With a positive 35.74% Inflation Factor and QAA add-on	<u>\$40,875,174</u>
<b>Total Projected Expenditures with QAA</b>	<b><u>\$454,397,659</u></b>
Difference (Projected - Target)	<u>\$240,871</u>

LB 1011 (Page 30-31)

It is the intent of the Legislature that the Department of Health and Human Services shall provide monthly status reports electronically to the Clerk of the Legislature and the Legislative Fiscal Analyst on Medicaid Expansion.

The department shall include in the report information on policy decisions on services, community engagement, wellness requirements, and rate setting.

It is the intent of the Legislature that the total amount appropriated for

LB1011

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LB1011

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medicaid nursing facility rates for Program No. 348, specified as \$363,073,810 for FY2021-22 (\$154,415,291 General Funds and \$208,658,519 Federal Funds) and \$436,263,610 \$375,781,394 for FY2022-23 (\$184,579,748 \$158,579,748 General Funds and \$251,683,862 \$217,201,646 Federal Funds), shall be used in the medicaid nursing facility rate calculation for Program No. 348, including the calculation of the annual inflation factor.

The total amount appropriated for medicaid nursing facility rates for Program No. 348 includes amounts for rate enhancement and any other purpose related to medicaid nursing facility services and shall be used as the base for funding appropriations in FY2023-24.

The Department of Health and Human Services shall file a report with the Legislative Fiscal Office and the Clerk of the Legislature no later than August 1, 2021, on how the inflation factor was calculated for FY2021-22 rates and no later than August 1, 2022, on how the inflation factor was calculated for FY2022-23.

The Department of Health and Human Services shall file a report electronically with the Legislative Fiscal Analyst and the Clerk of the

Legislature between December 15 and December 31 of each year of the biennium, identifying the amount of any unspent remaining appropriation from the prior fiscal year's appropriations earmarked for nursing facility payments. The report shall include an identification of encumbrances and retroactive payments.

The unexpended General Fund appropriation balance existing on June 30, 2021, is hereby reappropriated, up to \$19,518,297, for medicaid aid.

2022-23 Projected Spending (State + Federal Funds):

Special Needs	40,875,174	(NET OF POS)		
Nursing Facilities	413,522,485	(NET OF POS)		
Total Projected Expenditures (with QAA)	<u>454,397,659</u>	INFLATION FACTOR	1.3574	<b>35.74%</b>

2021-22 Legislative Direction (State + Federal Funds):

Total Appropriation (Before QAA)	436,263,610
QAA Add-on Payments - Special Needs	158,908
QAA Add-on Payments - NF	5,125,207
QAA \$\$ to Increase Inflation Factor	<u>12,609,063</u>
Total Target Expenditures (with QAA)	<u>454,156,788</u>

Difference	<u>240,871</u>
(Should be as close to zero as possible and a positive amount)	

Total QAA Expenditures	17,893,178
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