

Revised to Include provisions adopted in AM 2404 and AM 2512

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	See below		See below	
CASH FUNDS	\$650,000,000	\$650,000,000	\$650,000,000	\$650,000,000
FEDERAL FUNDS	\$1,425,351,213		\$1,425,351,213	
OTHER FUNDS				
TOTAL FUNDS	\$2,075,351,213	\$650,000,000	\$2,075,351,213	\$650,000,000

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

This bill as amended would adopt the Hospital Quality Assurance and Access Assessment Act (Act) to be administered by the Division of Medicaid and Long-Term Care Services of the Department of Health and Human Services (DHHS). The Act requires DHHS to submit a state plan amendment to the Centers for Medicare and Medicaid Services (CMS) for approval to impose an assessment on hospitals to assure quality and access in the medical assistance program, Medicaid, and adopt and promulgate rules and regulations.

The bill states legislative intent that General Fund appropriations for Medicaid rates for hospitals not be reduced from the FY24 amount. The bill also prohibits Managed Care Organizations from accounting for the new assessment payments under the act when setting, establishing, or negotiating reimbursement rates with the hospitals and health systems.

The Act requires DHHS to partner with a statewide association representing a majority of hospitals and health systems in Nebraska (a) to aggregate data to establish and track quality improvement metrics, (b) design and implement initiative to improve children’s mental health, adult mental health, maternity care, and senior care, and (c) increase workforce development of health professionals by hospitals and health systems providing at least \$50 million per year in private investments for health care workforce development.

Each hospital pays an assessment based on net patient revenue quarterly. The total statewide assessment amount is to equal the state share of the payments authorized by CMS plus an administration fee. The assessment total may not exceed 6% of the total net patient revenue of all assessed hospitals.

Updated estimates indicate the assessment on the hospitals would yield \$581 million. This fiscal note uses the figure of \$650 million in cash authority to ensure that if actual assessment comes in above the new estimate there will be sufficient appropriations to fulfil the duties of the bill. The cash funds collected for the assessment would be put into the newly created Hospital Quality Assurance and Access Assessment Fund which would be invested by the State Investment Officer and administered by DHHS. The imposition of the assessment would yield significant new federal funding. DHHS estimates the state would receive over \$1.425 billion in federal funds. Except for the carveouts described below, all of both the new federal funds and cash funds from the assessment would be distributed via a directed payment program. The payments would be considered implementation and be subject to input and collaboration with the statewide association representing a majority of Nebraska hospitals.

A total of 3% up to \$15 million is permitted to cover administrative expenses. Administrative expenses include costs of contracts and additional staffing, 1 FTE Fiscal Project Analyst starting in July 2024.

The carve outs designated in the amendment as adopted are as follows:

- 0.5% (one half of one percent) not to exceed \$2.5 million for the expansion of clinical nursing training sites
- 0.286% (three and one-half of one percent*) not to exceed \$17.5 million for
 - Rates for nonhospital providers in the medical assistance program
 - Continuous eligibility for children
 - or the State’s designated health information exchange

*note that this is intended to be 3.5% not 3.5 of, or divided by, 1%.

Although the agency’s fiscal note shows \$0 net impact to general funds, there will be cash flows into and out of the General Fund. The department is mandated to make the directed payment prior to receiving the first assessment, so DHHS would be paying the state share of costs with State General Funds. The department indicates adequate appropriation to accomplish this first quarterly payment at the beginning of the state fiscal year. In the fourth quarter, the department would need to “recover” the State General Fund with proceeds from the assessment. If hospitals do not make assessment payments on time, a State General Fund cash flow issue would occur in the last month of each state fiscal year.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1087 AM: 2404,2512 AGENCY/POLT. SUB: Nebraska Department of Health & Human Services

REVIEWED BY: Ann Linneman DATE: 2-28-2024 PHONE: (402) 471-4180

COMMENTS: Concur with the Nebraska Department of Health & Human Services' assessment of fiscal impact.

**LB (1) Revised 1087
AM2404 AM2512**

FISCAL NOTE

2024

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 2-28-2024

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	\$0		\$0	
CASH FUNDS	\$650,000,000	\$650,000,000	\$650,000,000	\$650,000,000
FEDERAL FUNDS	\$1,425,351,213		\$1,425,351,213	
OTHER FUNDS				
TOTAL FUNDS	<u>\$2,075,351,213</u>	<u>\$650,000,000</u>	<u>\$2,075,351,213</u>	<u>\$650,000,000</u>

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

Explanation of Estimate:

LB1087/AM2404/AM2512 implements a hospital tax/assessment of up to 6% of their net patient revenue (to include inpatient and outpatient services). This bill also creates a new cash fund, the Hospital Quality Assurance and Access Assessment Fund. This bill requires Medicaid to consult with the Nebraska Hospital Association (NHA) to increase hospital payments through a managed care directed payment and seek federal financial participation (FFP) to match funds received via the assessment. This bill also requires Medicaid to partner with NHA to establish quality improvement metrics, implement initiatives to improve mental health for children and adults, improve senior care, and address workforce development for nurses and healthcare professionals through committing at least \$50 million in private investments towards targeted initiatives. This bill also establishes a “floor” for general fund appropriations intended for hospital rates that cannot be reduced now or in future budgets, starting in fiscal year 2024.

Based on information provided by the Nebraska Hospital Association, Medicaid estimates that the new assessment could generate \$581 million in new revenue to the state that will be placed in the cash fund established in this bill. This fiscal note requests \$650 million in cash authority because the estimated assessment is a projection and actual amounts are currently unknown. The bill allows an administrative fee to the Department of Health and Human Services (DHHS) up to 3% of the assessment collected, estimated to be \$17,430,000. This 3% administrative fee cannot exceed \$15 million per year.

The bill also provides the Nebraska Center for Nursing Board 0.5% of the assessment for the expansion of clinical nursing training, estimated to be \$2,905,000; not to exceed \$2.5 million per year. The bill also provides funding of 3.5% of the assessment for rates for nonhospital providers in the medical assistance program, continuous eligibility for children, or the designated health information exchange authorized in section 81-6,125. This funding is estimated to be \$20,335,000 and is not to exceed \$17.5 million per year.

The intent of LB1087 is to fully fund the program through the assessment dollars collected alongside the federal match. DHHS would need \$650 million in new cash spending authority to pay out the additional funds proposed in this bill through a directed payment, as well as approximately \$1.5 billion of additional Federal Fund appropriations in Medicaid for the FFP associated with the non-federal share (cash).

Although this fiscal note shows \$0 net impact to general funds, there will be cash flows into and out of the general funds as permitted by the bill. The department is mandated to make the directed payment prior to receiving the first assessment, so DHHS would be paying the state share of costs with State General Funds. The department would have available appropriation since it is the beginning of the state fiscal year. The question would come in the fourth quarter of each state fiscal year when the department would need to replenish the State General Fund with proceeds from the assessment. Ample time should be available to issue directed payments and allow for 30 days to receive the assessments from hospitals, however, should hospitals

not make assessment payments on time, a State General Fund cash flow issue could occur in the last month of each state fiscal year.

A blended federal rate of 68.68% was used based on the mix of eligibility groups within the underlying hospital services utilization based on the client's eligibility (Expansion, CHIP, Regular Medicaid, etc.).

MAJOR OBJECTS OF EXPENDITURE					
PERSONAL SERVICES:					
	POSITION TITLE	NUMBER OF POSITIONS		2024-2025	2025-2026
		24-25	25-26	EXPENDITURES	EXPENDITURES
K19850	DHHS Fiscal Project Analyst	1	1	\$55,725	\$58,512
Benefits.....				\$19,504	\$20,479
Operating.....				\$14,924,771	\$14,921,009
Travel.....					
Capital Outlay.....					
Aid.....				\$2,060,351,213	\$2,060,351,213
Capital Improvements.....					
TOTAL.....				\$2,075,351,213	\$2,075,351,213