

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)					
EXPENDITURES	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	1,650,449	0	1,942,954	0	3,593,403
FY2027-2028	2,175,611	0	2,515,646	0	4,691,257
FY2028-2029	2,175,611	0	2,515,646	0	4,691,257
REVENUE	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	0	0	0	0	0
FY2027-2028	0	0	0	0	0
FY2028-2029	0	0	0	0	0

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

This bill requires the Department of Health and Human Services to carve out skilled special needs nursing facility from being administered by managed care organizations (MCOs) under the Medicaid program. DHHS interprets the provisions of the bill to eliminate prior authorization and other utilization management requirements, which would have a fiscal impact on aid expenditures.

DHHS estimates administrative expenses reduction of \$157,500 in FY27 and \$210,000 in FY28 related to discontinuation of existing vendor contracts. The estimated new expense is a one time update to the MMIS system of \$74,960 which is eligible for 75% federal funds.

DHHS estimates aid expenses of \$3,675,943 in FY27 and \$4,901,257 in FY28 (both years assume a fund mix of 54.54% federal funds). The estimate is based on data from the managed care organizations on denied claims for this type of care. In SFY25 MCOs denied claims totaling \$4,230,055 for approximately 566 days of care. DHHS estimates an additional \$671,212 for a daily rate of \$1,186 for 566 days of care. The estimated implementation date is October 1, 2026 therefore the impact to FY27 is 75% of the whole annual cost for aid.

There is no basis upon which to disagree with the fiscal impact estimate. DHHS notes that actual costs may exceed estimates if utilization patterns change.

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

LB: 1091 AM: AGENCY/POLT. SUB: Nebraska Department of Health & Human Services

REVIEWED BY: Ann Linneman DATE: 2-13-2026 PHONE: (402) 471-4180

COMMENTS: Concur with the Nebraska Department of Health and 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 2-12-2026

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	<u>FY 2026-2027</u>		<u>FY 2027-2028</u>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$1,650,449		\$2,175,611	
CASH FUNDS				
FEDERAL FUNDS	\$1,942,954		\$2,515,646	
OTHER FUNDS				
TOTAL FUNDS	\$3,593,403		\$4,691,257	

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

Explanation of Estimate:

LB1091 would require Medicaid and Long-Term Care (MLTC) to carve out skilled, special needs nursing facility (NF) services from the managed care delivery system and begin paying for these services through fee-for-service (FFS). It also prohibits utilization management approaches used by managed care organizations (MCO's) for all skilled and non-skilled NF care for special needs clients at a special needs NF level of care. The department must adopt and promulgate regulations no later than six months after the effective date of this bill.

In State Fiscal Year (SFY) 2025, Medicaid FFS and managed care organizations denied claims totaling \$4,230,055 in total funds and denied authorizations for approximately 566 days of care. Using an average special-needs NF per diem rate of \$1,186 per day, denied authorizations would represent an additional \$671,202 in potential expenditures if utilization management is removed. Assuming an implementation date of October 1, 2026, the total increase in aid expenditure would be approximately \$3,675,943 (\$1,671,084 General Funds and \$2,004,859 Federal Funds) for FY 2027 and \$4,901,257 (\$2,228,111 General Funds and \$2,673,146 Federal Funds) for FY 2028. These increased expenditures are attributable to the elimination of prior authorization and other utilization management requirements and are not the result of the payment delivery system change from managed care to fee-for-service.

It is reasonable to assume that actual fiscal impacts would be significantly greater than the historical value of denied claims and authorizations, as these figures reflect utilization patterns while utilization management controls were in place.

The bill would require changes to the Medicaid Management Information System (MMIS) to update claims processing and payment edits, eliminate prior authorization requirements for special-needs NF services, and create new adjudication rules for special-needs NF levels of care. Discontinuation of the current prior authorization vendor would result in an estimated annual cost reduction of \$157,500 in FY27 and \$210,000 in FY28. IS&T estimates the one-time cost of MMIS system changes at \$74,960 in FY27. These administrative expenditures are eligible for 75 percent federal financial participation (FFP).

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS		2026-2027 EXPENDITURES	2027-2028 EXPENDITURES
	26-27	27-28		

Benefits.....		
Operating.....	(\$82,540)	(\$210,000)
Travel.....		
Capital Outlay.....		
Aid.....	\$3,675,943	\$4,901,257
Capital Improvements.....		
TOTAL.....	\$3,593,403	\$4,691,257