

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)</b>				
	<b>FY 2025-26</b>		<b>FY 2026-27</b>	
	<b>EXPENDITURES</b>	<b>REVENUE</b>	<b>EXPENDITURES</b>	<b>REVENUE</b>
GENERAL FUNDS	(\$60,149,788)		(\$117,799,576)	
CASH FUNDS	\$63,157,578	\$123,307,366	\$128,815,156	\$246,614,732
FEDERAL FUNDS	\$117,292,645		\$239,228,148	
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>\$120,300,435</b>	<b>\$123,307,366</b>	<b>\$250,243,728</b>	<b>\$246,614,732</b>

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

This bill would adopt the Medicaid Access and Quality 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 health maintenance organization (HMO) tax which would include Medicaid managed care organizations (MCOs) by August 1, 2025. The bill specifies that the tax shall be effective January 1, 2026, halfway through FY26. The fiscal impact statement submitted by DHHS assumes CMS approval by such date. The bill states legislative intent that General Fund appropriations for Medicaid rates for hospitals not be reduced from the FY24 amount.

The tax shall be 6% of the gross amount of non-Medicare direct writing premiums and be imposed by the Department of Insurance. DHHS estimates the annual revenue from this tax would amount to \$246,614,732 annually. Revenue from this tax would be credited to a newly created fund, the Medicaid Access and Quality Fund. DHHS will pay MCOs back the tax paid using a portion of this cash fund plus federal funds obtained by leveraging the tax revenue. DHHS will pay back MCOs via capitation payments with \$86,315,156 in cash funds and \$160,299,576 federal funds for a full year.

The bill directs DHHS to use \$40 million of the cash funds annually, compounded by federal match estimated to be \$74,285,714, to enhance rates for nonhospital in Medicaid over and above existing rates starting January 1, 2026 (the impact in FY26 would be half). The bill directs \$5 million annually, compounded by federal match, to pay a monthly per-member fee no less than \$75 to qualified primary care providers meeting criteria explicated in the bill pertaining to medical home care management services starting January 1, 2027. DHHS estimates the primary care medical home (PCMH) care provision would utilize \$2.5 million cash funds and \$4,642,858 federal funds for FY27 and \$5 million cash funds and \$14,285,714 federal funds for FY28 and beyond.

<b>Annual Expenditures when Fully Implemented (FY28)</b>			
	<b>Capitation payments</b>	<b>Medicaid rate enhancement</b>	<b>Primary care medical homes</b>
Cash Funds	86,315,156	40,000,000	5,000,000
Federal Funds	160,299,576	74,285,714	9,285,714
<b>Total Funds</b>	<b>246,614,732</b>	<b>114,285,714</b>	<b>14,285,714</b>

**Breakdown for FY26:**

- Starting January 1, 2026, the revenue from the assessment on HMOs will yield \$123,307,366 in cash fund revenue.
- The assessment will be paid back with a combination of \$43,157,578 cash funds and \$80,149,788 federal funds.
- DHHS will increase nonhospital Medicaid rates with \$20 million cash funds and \$37,142,857 federal funds.
- The remaining \$60,149,788 in cash funds will be used to offset General Fund expenditures in Medicaid.

**Breakdown for FY27:**

- Starting July 1, 2026, the revenue from the assessment on HMOs will yield \$246,614,732 in cash fund revenue.
- The assessment will be paid back with a combination of \$86,315,156 cash funds and \$160,299,576 federal funds.
- DHHS will increase nonhospital Medicaid rates with \$40 million cash funds and \$74,285,714 federal funds.
- Starting January 1, 2027, \$2,500,000 cash funds and \$4,642,857 federal funds will fund the provision for PCMHs.
- The remaining \$117,799,576 in cash funds will be used to offset General Fund expenditures in Medicaid.

In FY28, when the PCMH provision is fully implemented, \$115,299,576 in cash funds will be available to offset General Fund expenses in Medicaid. This fiscal note assumes timely CMS approval, full compliance by HMOs, and accuracy of actuarial estimates.

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

LB: 527 AM: AGENCY/POLT. SUB: Nebraska Department of Health & Human Services

REVIEWED BY: Ann Linneman DATE: 1-31-2025 PHONE: (402) 471-4180

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

Please complete ALL (5) blanks in the first three lines.

**2025**

**LB<sup>(1)</sup> 527**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup> Department of Insurance

Prepared by: <sup>(3)</sup> Jordan Blades Date Prepared: <sup>(4)</sup> 1/30/24 Phone: <sup>(5)</sup> 402-471-4638

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2025-26</u>		<u>FY 2026-27</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	\$142,377,030	_____	\$142,377,030
<b>TOTAL FUNDS</b>	<u>_____</u>	<u>\$142,377,030</u>	<u>_____</u>	<u>\$142,377,030</u>

**Explanation of Estimate:**

LB 527 would require the Department of insurance to collect a 6% premium tax on premium written by health maintenance organizations to be remitted to the State Treasurer then credited to the Medicaid Access and Quality Fund.

Based on premiums written in tax year 2023, the department estimates that LB 527 would generate \$142,377,030 annually to the Medicaid Access and Quality Fund.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26 EXPENDITURES</u>	<u>2026-27 EXPENDITURES</u>
	<u>25-26</u>	<u>26-27</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	_____	_____	_____	_____

**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 1-30-25

Phone: (5) 471-6719

	<u>FY 2025-2026</u>		<u>FY 2026-2027</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
<b>GENERAL FUNDS</b>	(60,149,788)		(\$117,799,576)	
<b>CASH FUNDS</b>	\$63,157,578	\$123,307,366	\$128,815,156	\$246,614,732
<b>FEDERAL FUNDS</b>	\$117,292,645		\$239,228,148	
<b>OTHER FUNDS</b>				
<b>TOTAL FUNDS</b>	\$120,300,435	\$123,307,366	\$250,243,728	\$246,614,732

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

**Explanation of Estimate:**

LB527 establishes a new health maintenance organization (HMO) tax on certain health insurance carriers, including Medicaid managed care organizations (MCOs). The tax paid in a given calendar year is derived from premiums written in the prior calendar year. It is estimated that the annual revenue generated from this tax will be \$246,614,732. The tax will be collected beginning January 1, 2026. LB527 does not specify the timing or frequency of the tax collection. This fiscal note assumes the tax will be collected quarterly. This results in estimated revenue of \$123,307,366 in SFY 2026 and \$246,614,732 in SFY 2027. The tax collected will be deposited into the Medicaid Access and Quality Fund, which will be created as a result of LB527. A blended federal medical assistance percentage (FMAP) of 65.00% is estimated for this fiscal note.

Beginning January 1, 2026, the Department of Health and Human Services (DHHS) will use the Medicaid Access and Quality Fund to pay the MCOs back the tax paid, through capitation payments, in addition to receiving federal financial participation (FFP). For FY26, the estimated impact is \$123,307,366 in total funds (\$43,157,578 in cash funds and \$80,149,788 in federal funds). For FY27, the estimated impact is \$246,614,732 in total funds (\$86,315,156 in cash funds and \$160,299,576 in federal funds).

Also beginning January 1, 2026, DHHS will use the Medicaid Access and Quality Fund to increase rates on the practitioner fee schedule, which will be paid out primarily through capitation. FFP will be received on these payments as well. For SFY 2026, the estimated impact is \$57,142,857 Total Funds (\$20,000,000 Cash Funds and \$37,142,857 Federal Funds). For SFY 2027, the impact will be \$114,285,714 Total Funds (\$40,000,000 Cash Funds and \$74,285,714 Federal Funds).

Beginning January 1, 2027, DHHS will begin to use the Medicaid Access and Quality Fund to pay for primary care medical home care management services, which will include a federal match. For SFY 2027, it is estimated this impact will be \$7,142,857 Total Funds (\$2,500,000 Cash Funds and \$4,642,858 Federal Funds). There is no fiscal impact to SFY 2026 for these additional covered services.

LB527 requires all remaining funds in the Medicaid Access and Quality Fund to be transferred to program 344 (CHIP) and program 348 (Medicaid). These cash funds will be used to fund program operations and will reduce General Fund expenditures. It is estimated the transfer will be \$60,149,788 in FY26 and \$117,799,576 in FY27.

This bill also places limitations on DHHS and the legislature from reducing appropriations or rates for the practitioner fee schedule to be no lower than what was established as of July 1, 2024, and the funds collected by the tax are not to be used to offset or replace general funds paid for practitioner services. This creates a floor for rates and ensures that the tax is not used to replace general funds appropriated for prior rates paid.

LB527 will require DHHS to submit at least two state plan amendments (SPAs) to effectuate the above changes. These SPAs will need to be approved by the Centers for Medicare & Medicaid Services (CMS).

DHHS may need to update existing chapters of regulations covering practitioner services. Changes to fee schedule rates loaded into the Medicaid Management Information System (MMIS) rate tables and changes to capitation rates will be needed. Other changes might be needed to MMIS and other subsystems related to the new service required for primary care medical home, depending on program design decisions. The expenses related to the time and effort needed for the SPAs and technical changes will be absorbed by DHHS.

**MAJOR OBJECTS OF EXPENDITURE**

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS		2025-2026 EXPENDITURES	2026-2027 EXPENDITURES
	26-26	26-27		
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....			\$120,300,435	\$250,243,728
Capital Improvements.....				
<b>TOTAL.....</b>			<b>\$120,300,435</b>	<b>\$250,243,728</b>