

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	27,419,519		28,454,296	
CASH FUNDS				
FEDERAL FUNDS	32,428,824		34,275,464	
OTHER FUNDS				
TOTAL FUNDS	59,848,342		62,840,760	

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 not include the application of an inflation factor as defined in the Nebraska Administrative Code Title 471, Chapter 12 when calculating Medicaid nursing facility rates beginning in FY 2019-20 and every year thereafter. The bill directs the department to use the amounts appropriated by the Legislature in setting the rates.

Per the rules and regulations, the inflation factor 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 Quality Assurance Assessment (NQAA). Without the inflation factor nursing facilities would receive cost-based reimbursements and the NQAA revenue would be collected but would not have a distribution mechanism.

The inflation factor in the regulations have recently been a deflation factor. In correspondence from the department to a senator, the Medicaid director stated that “negative inflation factors were necessary to rebase the higher costs to the budget directive.” Recently that inflation factor was a -12%, but the NQAA funds lowered the impact to a -7%. Eliminating it from the rate setting calculation will cost \$59,848,342 (\$27,419,518 GF and \$32,428,824 FF) in FY 2019-20 and \$62,840,760 (\$28,454,296 GF and \$34,386,464 FF) in FY 2020-21. The NQAA generates approximately \$12 million per year which generates \$14 million in federal funds.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 403	AM:	AGENCY/POLT. SUB: Nebraska Department of Health and Human Services	
REVIEWED BY: Ann Linneman	DATE: 3-20-19	PHONE: (402) 471-4180	
COMMENTS: No basis to disagree 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) Mike Michalski

Date Prepared 3-15-19

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	<u>FY 2019-2020</u>		<u>FY 2020-2021</u>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$27,419,518		\$28,454,296	
CASH FUNDS				
FEDERAL FUNDS	\$32,428,824		\$34,386,464	
OTHER FUNDS				
TOTAL FUNDS	\$59,848,342		\$62,840,760	

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

Explanation of Estimate:

LB 403 will remove the inflation factor from the current methodology for rate calculations for nursing facilities. Currently the Division of Medicaid and Long-Term Care (MLTC) of the Department of Health and Human Services (DHHS) follow Title 471 Chapter 12 regulations mentioned in Nebraska Revised Statute 68-1926 that include prescriptive rate methodology instructions that include the use of the "inflation factor". The inflation factor adjusts the costs reported by the facility cost reports up or down in order to match the anticipated expenditures to the legislative appropriation. Included in this complicated methodology is the Quality Assurance Assessment (QAA), which is a major component of the "inflation factor".

Removing the inflation factor in a cost based reimbursement method would require DHHS to reimburse at provider's costs. By eliminating the inflation factor, the Departments ability to redistribute the QAA is lost. Therefore, DHHS has the authority to collect the tax but no mechanism to return the tax matched with federal dollars to the providers. The QAA is a component of the inflation factor. By eliminating the inflation factor and the distribution of the QAA currently in practice by DHHS, an additional \$59,848,342 of total funds will be needed in Medicaid Aid (program 348) Appropriations in SFY2020 and \$62,840,760 for SFY2021.

In order to complete all the necessary changes to the State Plan, update regulations, and complete a new rate development report, DHHS would absorb the following costs.

Function	Hours	Cost/hr for Auditor Supervisor	Absorbed Cost
State Plan Update	15	25.255	\$ 379
Regulation Change	15	25.255	\$ 379
New Methodology Calculations	80	25.255	\$ 2,020
		Direct Labor	\$ 2,778
		Benefits	\$ 1,028
		Overhead	\$ 1,241
		Total Cost	\$ 5,047

DHHS will be required to complete a major rule and regulation change as a result of LB 403. DHHS will absorb the estimated costs listed below to complete this regulation change.

Title	Hours	Hourly Cost	Absorbed Cost
Director	4	72.115	\$ 288
Deputy Director	4	51.923	\$ 208
Administrator I	4	29.354	\$ 117
Program Specialist	8	21.466	\$ 172
Program Analyst	16	20.869	\$ 334
Attorney 3	30	32.213	\$ 966
Total Costs	66		\$ 2,086

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS		2019-2020 EXPENDITURES	2020-2021 EXPENDITURES
	19-20	20-21		
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....			\$59,848,342	\$62,840,760
Capital Improvements.....				
TOTAL.....			\$59,848,342	\$62,840,760