

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$502,760		\$3,091,401	
CASH FUNDS				
FEDERAL FUNDS	\$1,089,315		\$5,069,567	
OTHER FUNDS				
TOTAL FUNDS	\$1,592,075		\$8,160,968	

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 (DHHS) to submit a State Plan Amendment (12) to Centers for Medicare and Medicaid (CMS) by July 1, 2025 to implement two section 1115 waivers, one for pre-release services for individuals who are incarcerated and one for Health-Related Social Needs (HRSN) upon community reentry. The provisions of the bill effectively expand the services that are now federally required for incarcerated youth be expanded to all ages. Because the two waivers address the same population the agency would combine the SPA for efficiency in approval. DHHS notes that the July 1, 2025 deadline is likely not feasible and a realistic expectation for SPA development is one to one and a half years. The fiscal estimate assumes implementation October 1, 2026, one quarter into FY27.

Administrative expenses to effectuate the provisions would begin in FY26 and amount to \$1,592,075. This expense includes \$1,173,110 in IT updates to NFOCUS and MMIS (75% federally funded). Additional FY26 administrative expenses are \$125,965 in staff costs for 2 FTE Program Specialists (Starting in October 2025), and \$293,000 in annual increased monitoring and program evaluation contract costs (50% federally funded).

Administrative expenses in FY27 amount to \$1,081,201. This includes the ongoing \$293,000 increase to contracts, \$788,201 in added staff costs. Of the total FY27 staff costs, \$176,350 is for the 2 FTE Program Specialists (50% federally funded) and \$611,850 (75% federally funded) is for 10 FTE Social Services Workers and 1 FTE Social Services Supervisor starting in October 2026 when the new services are assumed to begin. A full year of the Social Service type workers amounts to \$815,800. If existing facility staff take on the direct contact portion of the additional work, then less staff (approximately half) would need to be added. Other administrative work to update contracts, regulations, and procedures can be absorbed within existing agency appropriations.

Aid costs for pre-release services amount to \$998,243 annually. This estimate assumes a population of 2,179 each receive on month of services at a cost of \$458.12. Pre-release services are to include case management, medication-assisted treatment services, a 30-day supply of medications, medication administration, services provided by community health workers, and diagnostic and treatment services.

Aid costs for post-release Health-Related Social Needs (HRSN) services amount to \$8,441,446 annually. This estimate assumes the same population of 2,179 individuals and includes a one-time \$100 subsidy for a phone or laptop (\$217,900), and six months of the following costs: \$350 for rent or temporary housing support (\$4,575,900), \$100 case management (\$1,307,400), \$179 for food assistance or nutritional support (\$2,340,246). Provision (11)(b)(iii) states the HRSN application must include correctional facility or social services infrastructure investments in technology, operational practices, workforce development and marketing outreach and education. The fiscal impact to this provision is indeterminable at this time.

The total aid cost for both pre- and post- release services for a full fiscal year is \$9,439,689. The agency assumes 80% of the population would be covered under the regular Medicaid FMAP of 54.76% and 20% would be covered by Medicaid Expansion at 90% federal funds. The blended FMAP for aid is 61.81%.

Cost savings to various state aid and operational programs from the interventions established by LB96 are likely but indeterminable.

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

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Date Prepared 3-11-25

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	<u>FY 2025-2026</u>		<u>FY 2026-2027</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$502,760		\$3,091,401	
CASH FUNDS				
FEDERAL FUNDS	\$1,089,315		\$5,069,567	
OTHER FUNDS				
TOTAL FUNDS	\$1,592,075	\$0	\$8,160,968	\$0

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

Explanation of Estimate:

LB96 requires the Department of Health and Human Services (DHHS) to submit two Section 1115 demonstration waiver applications to the Centers for Medicare and Medicaid Services (CMS) by July 1, 2025. The first waiver would allow Nebraska to provide a more comprehensive set of Medicaid-covered pre-release services for individuals who are about to be released from incarceration in a public institution. The second waiver would allow Medicaid to cover a set of health-related social needs (HRSN) services for individuals upon release from incarceration. DHHS believes that meeting the July 1,2025, deadline is not feasible as it takes approximately 12-18 months for the development and submittal process for these waivers. This fiscal note assumes the process will be complete and the additional services will begin by October 1, 2026. Nebraska would opt to submit a single waiver request to cover the requirements of LB96, as both components of the bill target the same population, and the development and approval would be more efficient if grouped together. Efforts to develop this waiver will need to be coordinated alongside ongoing work to comply with Section 5121 of the Consolidated Appropriations Act of 2023 (CAA), which required DHHS to provide a limited set of pre-release services to incarcerated youth. LB96 effectively expands these requirements to incarcerated individuals of all ages.

Prior to submitting the waiver application and receiving approval from CMS, much work will be needed from Medicaid operational staff and contractors to develop, submit, and oversee the demonstration waiver request to CMS. To fulfill the work needed to develop and oversee the waiver, DHHS will need to hire two additional Program Specialists starting October 1, 2025, at a cost of \$125,965 in SFY 2026 and \$176,350 in SFY 2027. In addition to the new positions, an actuarial contractor will need to be utilized to assist with the waiver development and required on-going monitoring and evaluation of the waiver. The estimated annual expense for this contractor is \$150,000 per year. Medicaid would also need to amend an existing contract with a different contractor to evaluate the new program, at a cost of \$143,000 per year for a 7-year contract. Administration costs are assumed at 50% Federal Funds and 50% General Funds.

If CMS approves the waiver application, updates will be needed to the Nebraska Family Online Client User System (NFOCUS) in order to operationalize this bill. An estimated 2,419 staff hours would be needed to update NFOCUS at a cost of \$215,900. Technology updates would also be needed to the Medicaid Management Information System (MMIS), costing \$957,210 for an estimated 10,496 staff hours. These expenses would impact SFY 2026. Technology updates would qualify for a 75% Federal Funds and 25% General Funds match rate.

In order to address the increased workload associated with determining eligibility related to this program, it is estimated that an additional 10 Social Services Workers and 1 Social Services Supervisor would be needed. Costs for these additional 11 employees would be \$0 in SFY 2026 and \$611,850 in SFY 2027, which is 75% of the full year amount of \$815,800. These estimates, and the dollars in this fiscal note, assume that the staff would be required to go into the correctional facilities to work directly with individuals prior to their release to ensure coverage is available upon their release. If these staff members are not required to go into the facilities

themselves and the process was implemented where facility staff or other community partners or volunteers worked with the individuals to apply, only 5 Social Services Workers and 1 Social Services Supervisor would be needed. These expenses qualify for a 75% Federal Funds and 25% General Funds match rate.

Additional work will be required by DHHS to amend contracts with managed care organizations (MCOs), update eligibility requirements, update regulations, update reimbursement rates, and create data reporting as required by CMS. The time and effort involved in these additional tasks would be absorbed by DHHS.

If LB96 were to pass, aid expenditures would increase related to both the pre-release services and the HRSN services after release. Based on Nebraska Department of Correctional Services (NDCS) data from 2019 – 2023, an average of 2,179 people are released from incarceration per year that could qualify for these new services. This fiscal note assumes all of these 2,179 people will be eligible for Medicaid and eligible for these new services. An estimated cost of \$458.12 per member per month (PMPM) is needed in order to satisfy the requirements for the pre-release services. The pre-release services include case management services, medication-assisted treatment services, a 30-day supply of medications, medication administration, services provided by community health workers, and diagnostic and treatment services. For one month, the total costs related to pre-release services is estimated at \$998,243; this total is for a full year.

HRSN services provided after release include rent or temporary housing support, case management to connect individuals with reentry groups and services, food assistance or nutritional support, and a subsidy for the purchase of an Internet-connect device such as a mobile phone or laptop. An estimated \$350 per month for 6 months will be provided for rent or temporary housing support, which totals \$4,575,900 for a full year. The \$350 monthly estimate is based on what other states have provided in similar waivers. It is estimated that targeted case management will cost \$100 PMPM. For 6 months of case management services, the annual total cost is \$1,307,400 for a full year. An estimated \$179 PMPM for 6 months is needed for food assistance or nutritional support. For a full year, the total for this would be \$2,340,246. The one-time subsidy of \$100 for a phone or laptop would cost \$217,900 for a full year. The total of all of the expenses related to HRSN services after release is estimated to be \$8,441,446 for a full year.

Combining the pre-release services and the post-release services, the total annual aid expenditures for a full year would be \$9,439,689. With an assumed implementation date of October 1, 2026, the total impact to SFY 2027 is \$7,079,767. Using a blended FMAP of 61.81%, which is based on an estimated 80/20 split for regular FMAP (54.76%) vs expansion newly (90.00%), for SFY 2027 the Federal Funds would be \$4,376,004 and the General Funds \$2,703,763.

The full year annual cost starting in fiscal year 2028 is \$9,439,689. Using the same blended FMAP of 61.81%, that results in federal fund costs of \$5,834,672 and general fund costs of \$3,605,017.

LB96 also requires funding for correctional facility or social service infrastructure investments in technology, operational practices, workforce development, and marketing outreach and education. The fiscal impact related to this requirement is indeterminable at this time.

As a result of the early interventions from LB96, future more intensive treatment could be avoided for this population group; however, the reduction in future expenses is indeterminable at this time.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:	POSITION TITLE	NUMBER OF POSITIONS		2025-2026	2026-2027
		26-26	26-27	EXPENDITURES	EXPENDITURES
	DHHS Program Specialist	1.5	2.0	\$77,900	\$109,060
	Social Services Worker	0.0	7.5	\$0	\$334,152
	Social Services Supervisor	0.0	0.5	\$0	\$44,234

Benefits.....	\$27,265	\$170,606
Operating.....	\$1,486,910	\$423,149
Travel.....		

Capital Outlay.....
Aid.....
Capital Improvements.....
TOTAL.....

	\$0	\$7,079,767
	\$1,592,075	\$8,160,968