

**NEBRASKA**

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DEPT. OF HEALTH AND HUMAN SERVICES

# **Division of Medicaid and Long-Term Care**

## **Nursing Facility Inflation Factor Calculation Report**

**August 1, 2021**

LB380 (2021)



August 1, 2021

Patrick O'Donnell, Clerk of the Legislature  
Legislative Fiscal Office  
P.O. Box 94604  
Lincoln, NE 68509

Dear Mr. O'Donnell and Legislative Fiscal Office:

The Division of Medicaid and Long-Term Care (MLTC) submits this report as required in LB380 (2021) to the Clerk of the Legislature and the Legislative Fiscal Office on how the inflation factor was calculated for State Fiscal Year (SFY) 2021-22 nursing facility rates.

The inflation factor specified in Nebraska State Plan section 12-011.08D5, Base Year Report Period and Inflation Factor, is determined by MLTC from spending projections using:

1. Audited base year cost and census data;
2. Budget directives from the Nebraska Legislature; and
3. Funding generated by the Nursing Facility Quality Assurance Assessment.

First, MLTC computed rates before the inflation factor, to determine the projected expenditures for Nursing Facilities for SFY2021-22, which were calculated to be \$333,850,030.

Please note, actual utilization may differ from what was projected as part of the inflation factor. As such, the Department is not making an additional request to fund the difference noted.

Then, MLTC referenced the specific amounts appropriated per LB380 (page 43) to determine the legislative intent and budget directives as required in step two, above. These amounts are \$363,073,810.

Third, MLTC calculated the Nursing Facility Quality Assurance Assessment rate add-on portion of the rates. These amounts are \$24,135,294.

Finally, utilizing these three sets of data, MLTC arrived at a positive 15.99 percent inflation factor to apply to the projected spend from the base year cost report data of \$333,850,030, in order to arrive at the legislatively appropriated amounts of \$363,073,810, plus the Nursing Facility Quality Assurance Assessment amount of \$24,135,294, for a total projected expenditure amount of \$387,209,104.

Please find, attached, three files with detailed information supporting this summary report. For any questions regarding this report and enclosures, please contact Jeremy Brunssen at [Jeremy.Brunssen@nebraska.gov](mailto:Jeremy.Brunssen@nebraska.gov) or (402) 471-5046.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Bagley". The signature is fluid and cursive, with a large loop at the end.

Kevin Bagley, Director  
Division of Medicaid and Long-Term Care  
Department of Health and Human Services

Attachments: 3

NURSING FACILITY LEGISLATIVE DIRECTION AND PROJECTED EXPENDITURES  
SFY22

The inflation factor specified in State Plan section 12-011.08D5 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 Facility Quality Assurance Assessment.

**2021-21 Legislative Direction (State + Federal Funds):**

LB380 directed DHHS Medicaid and Long-Term Care to use the specific amounts shown below in the calculations of the SFY22 inflation factor and the resulting Medicaid rates.

Appropriation amounts from LB380 (referenced below), are detailed on the attached "LB280 Pages 43-44" file. These amounts, and the Quality Assurance Assessment (QAA) amounts, are also detailed on the attached "NF Calculations" file, which was used to determine the LB380 amounts and the legislative intent.

		Source Reference
Total Appropriation Before QAA	<u>\$363,073,810</u>	LB380, Page 43, Line 23
QAA Add-on Payments	\$5,262,600	
QAA to Increase Inflation Factor per Legislative Direction	<u>\$18,872,694</u>	NF Calculations: (\$387,209,104
QAA Total per Legislative Direction	<u>\$24,135,294</u>	- \$363,073,810 = \$24,135,294)
<b>Total Target Expenditures with QAA per Legislative Direction</b>	<b><u>\$387,209,104</u></b>	NF Calculations

**2021-22 Projected Expenditures (State + Federal Funds):**

Computing rates under the new methodology, with FYE 6/30/2018 base year cost reports, required a positive 15.99% inflation factor to arrive at a projected spend that approximates the \$387,209,104 target amount directed by LB380.

References below are to the attached "SFY22 Rates & Projected Spend" Excel file.

Nursing Facilities: With a positive 15.99% Inflation Factor and QAA add-on	\$354,163,872
NF Special Needs: With a positive 15.99% Inflation Factor and QAA add-on	<u>\$33,068,778</u>
<b>Total Projected Expenditures with QAA</b>	<b><u>\$387,232,650</u></b>
Difference (Projected - Target)	<u>\$23,546</u>

1           The chief executive officer of the Department of Health and Human  
2 Services may certify to the budget administrator of the budget division  
3 of the Department of Administrative Services FY2021-22 and FY2022-23  
4 unexpended appropriation balances for Medical Assistance, Program No.  
5 348, available to transfer to Developmental Disability Aid, Program No.  
6 424, to be used only to maintain individuals with an intellectual or  
7 developmental disability in a medicaid program that best serves their  
8 needs at a cost that does not exceed the cost of services provided in an  
9 institution. The budget administrator of the budget division of the  
10 Department of Administrative Services shall administratively transfer  
11 during FY2021-22 and FY2022-23 available appropriations as certified by  
12 the chief executive officer of the Department of Health and Human  
13 Services from Medical Assistance, Program No. 348, to Developmental  
14 Disability Aid, Program No. 424.

15           It is the intent of the Legislature that the Department of Health  
16 and Human Services shall provide monthly status reports electronically to  
17 the Clerk of the Legislature and the Legislative Fiscal Analyst on  
18 Medicaid Expansion. The department shall include in the report  
19 information on policy decisions on services, community engagement,  
20 wellness requirements, and rate setting.

21           It is the intent of the Legislature that the total amount  
22 appropriated for medicaid nursing facility rates for Program No. 348,  
23 specified as \$363,073,810 for FY2021-22 (\$154,415,291 General Funds and  
24 \$208,658,519 Federal Funds) and \$375,781,394 for FY2022-23 (\$158,579,748  
25 General Funds and \$217,201,646 Federal Funds), shall be used in the  
26 medicaid nursing facility rate calculation for Program No. 348, including  
27 the calculation of the annual inflation factor.

28           The total amount appropriated for medicaid nursing facility rates  
29 for Program No. 348 includes amounts for rate enhancement and any other  
30 purpose related to medicaid nursing facility services.

31           The Department of Health and Human Services shall file a report with

1 the Legislative Fiscal Office and the Clerk of the Legislature no later  
2 than August 1, 2021, on how the inflation factor was calculated for  
3 FY2021-22 rates and no later than August 1, 2022, on how the inflation  
4 factor was calculated for FY2022-23.

5 The Department of Health and Human Services shall file a report  
6 electronically with the Legislative Fiscal Analyst and the Clerk of the  
7 Legislature between December 15 and December 31 of each year of the  
8 biennium, identifying the amount of any unspent remaining appropriation  
9 from the prior fiscal year's appropriations earmarked for nursing  
10 facility payments. The report shall include an identification of  
11 encumbrances and retroactive payments.

12 The unexpended General Fund appropriation balance existing on June  
13 30, 2021, is hereby reappropriated, up to \$19,518,297, for medicaid aid.

14 Sec. 97. AGENCY NO. 25 – DEPARTMENT OF HEALTH AND HUMAN SERVICES  
15 Program No. 350 - Child Abuse Prevention

	FY2021-22	FY2022-23
16 CASH FUND	600,000	600,000
17 PROGRAM TOTAL	600,000	600,000

18 There is included in the appropriation to this program for FY2021-22  
19 \$598,000 Cash Funds for state aid, which shall only be used for such  
20 purpose. There is included in the appropriation to this program for  
21 FY2022-23 \$598,000 Cash Funds for state aid, which shall only be used for  
22 such purpose.

23 Sec. 98. AGENCY NO. 25 – DEPARTMENT OF HEALTH AND HUMAN SERVICES  
24 Program No. 354 - Child Welfare Aid

	FY2021-22	FY2022-23
25 GENERAL FUND	177,231,157	179,813,140
26 FEDERAL FUND est.	36,120,476	36,274,743
27 PROGRAM TOTAL	213,351,633	216,087,883

28 There is included in the appropriation to this program for FY2021-22  
29 \$177,231,157 General Funds and \$36,120,476 Federal Funds estimate for  
30

2021-22 Projected Spending (State + Federal Funds):				
Special Needs	33,068,778	(NET OF POS)		
Nursing Facilities	354,163,872	(NET OF POS)		
Total Projected Expenditures (with QAA)	<u>387,232,650</u>	INFLATION FACTOR	1.1599	<b>15.99%</b>

2020-21 Legislative Direction (State + Federal Funds):	
Total Appropriation (Before QAA)	363,073,810
QAA Add-on Payments - Special Needs	159,819
QAA Add-on Payments - NF	5,102,781
QAA \$\$ to Increase Inflation Factor	18,872,694
Total Target Expenditures (with QAA)	<u>387,209,104</u>

Difference	<u>23,546</u>
(Should be as close to zero as possible and a positive amount)	

Total QAA Expenditures per Legislative Direction	24,135,294
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