

# 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, 2019**

**LB 294 (2019)**



August 1, 2019

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 Department of Health and Human Services, Division of Medicaid and Long-Term Care (MLTC), submits this report, as required by LB294, regarding how the inflation factor was calculated for state fiscal year (SFY) 2019-20 nursing facility rates.

Current Nebraska Medicaid regulation, specifically 471 NAC 12-011.08D5 Inflation Factor, directs how to calculate the inflation factor. The inflation factor is determined from spending projections using:

1. Audited cost and census data following initial desk audits;
2. Budget directives from the Nebraska Legislature; and,
3. Funding generated by the Nursing Facility Quality Assurance Assessment.

First, MLTC rebased the rates before the inflation factor to determine the projected expenditures for nursing facilities for SFY 2019-20, which were calculated to be \$383,406,458.

Second, MLTC referenced the specific amounts appropriated per LB294, pages 46 and 47, to determine the legislative intent and budget directives. These amounts are \$336,349,732.

Third, MLTC calculated the Nursing Facility Quality Assurance Assessment rate add-on portion of the rates using the referenced data. These amounts are \$26,940,467.

Finally, utilizing these three sets of data, MLTC arrived at a -4.98% inflation factor to apply to the projected spend from the FYE 6/30/2018 cost report data of \$383,406,458, in order to arrive at the legislatively appropriated amounts of \$336,349,732, plus the Nursing Facility Quality Assurance Assessment amount of \$26,940,467, for a total projected expenditure amount of \$363,290,199.

Please find, enclosed, four 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 blue ink, appearing to read 'MVP', with a long horizontal stroke extending to the right.

Matthew A. Van Patton, DHA, Director  
Division of Medicaid and Long-Term Care  
Department of Health and Human Services

NURSING FACILITY LEGISLATIVE DIRECTION AND PROJECTED EXPENDITURES  
SFY20

471 NAC 12-011.08D5 Inflation Factor: 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 Facility Quality Assurance Assessment.

**2019-20 Legislative Direction (State + Federal Funds):**

LB294 directed DHHS Medicaid and Long-Term Care to use the specific amounts shown below in the calculations of the SFY20 inflation factor (Step 2 in the regulation above) and the resulting Medicaid rates. Appropriation amounts from LB294 (referenced below), are detailed on the attached "LB294 Pages 46-47" 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 LB294 amounts and the legislative intent.

	Source Reference
Base Appropriation	NF Calculations
One-time Adjustment	LB294, Page 47, Line 3
Subtotal	
Projected 2.25% Utilization Increase	LB294, Page 47, Line 4
Subtotal	
2% for Rate Increases	LB294, Page 47, Line 4
Total Appropriation Before QAA	LB294, Page 46, Line 31

QAA Add-on Payments	\$6,907,124
QAA Actual Funds Available to Increase Inflation Factor	\$19,756,229
QAA Additional to Increase Inflation Factor per Legislative Direction	\$277,114
	NF Calculations: (\$363,290,199 - \$336,349,731 = \$26,940,468)

**Total Target Expenditures with QAA per Legislative Direction** NF Calculations

**2019-20 Projected Expenditures (State + Federal Funds):**

Rebasing rates based on cost and census data from the FYE 6/30/2018 cost reports required a negative 4.98% inflation factor to arrive at a projected spend that approximates the \$363,290,199 target amount directed by LB294.

Nursing Facilities: Rebasing with -4.98% Inflation Factor; w/o QAA add-on	\$323,251,182
NF Special Needs: Rebasing with -4.98% Inflation Factor; w/o QAA add-on	\$25,889,000
Projected 2.25% Utilization Increase	\$7,256,215
QAA Add-on Payments	\$6,907,124
<b>Total Projected Expenditures with QAA</b>	<b>\$363,303,521</b>
Difference (Projected - Target)	\$13,322

1           No. 348 - Medical Assistance

2           No. 349 - Medicaid Expansion Aid

3           There is included in the appropriation to this program for FY2019-20  
4 \$860,304,131 General Funds, \$46,851,581 Cash Funds, and \$1,261,738,910  
5 Federal Funds estimate for state aid, which shall only be used for such  
6 purpose. There is included in the appropriation to this program for  
7 FY2020-21 \$917,144,136 General Funds, \$46,851,581 Cash Funds, and  
8 \$1,687,882,991 Federal Funds estimate for state aid, which shall only be  
9 used for such purpose.

10           There is included in the amount shown as aid for this program for  
11 FY2019-20 \$4,765,896 Cash Funds for the continuation of the behavioral  
12 health provider rate increase and behavioral health provider rate  
13 increase for managed care, inpatient services, and residential treatment  
14 services provided with funds from the Nebraska Health Care Cash Fund.  
15 There is included in the amount shown as aid for this program for  
16 FY2020-21 \$4,765,896 Cash Funds for the continuation of the behavioral  
17 health provider rate increase and behavioral health provider rate  
18 increase for managed care, inpatient services, and residential treatment  
19 services provided with funds from the Nebraska Health Care Cash Fund.

20           There is included in the amount shown as aid for this program for  
21 FY2019-20 \$450,000 Cash Funds from the Nebraska Health Care Cash Fund for  
22 a state plan amendment covering tobacco-use cessation in compliance with  
23 Title XIX of the federal Social Security Act. There is included in the  
24 amount shown as aid for this program for FY2020-21 \$450,000 Cash Funds  
25 from the Nebraska Health Care Cash Fund for a state plan amendment  
26 covering tobacco-use cessation in compliance with Title XIX of the  
27 federal Social Security Act. The smoking cessation funding for FY2019-20  
28 and FY2020-21 is for the costs of tobacco-use cessation counseling and  
29 tobacco-use cessation pharmaceuticals approved by the federal Food and  
30 Drug Administration for such purpose.

31           There is included in the appropriation to this program \$336,349,731

1 (\$154,081,812 General Funds and \$182,267,919 Federal Funds) for nursing  
2 facilities in FY2019-20, which includes a one-time payment increase of  
3 \$7,400,000 (\$3,389,940 General Funds and \$4,010,060 Federal Funds) and  
4 \$13,851,307 (\$6,345,284 General Funds and \$7,506,023 Federal Funds) for  
5 utilization changes and rate enhancement.

6 There is included in the appropriation in this section \$350,795,952  
7 (\$158,840,407 General Funds and \$191,955,545 Federal Funds) for nursing  
8 facilities in FY2020-21 which includes \$14,446,221 (\$6,541,249 General  
9 Funds and \$7,904,972 Federal Funds) for utilization changes and rate  
10 enhancement.

11 It is the intent of the Legislature that the total nursing facility  
12 appropriation amount, including utilization changes and rate enhancement  
13 shall be used in Step 2 directives of the Legislature of the Inflation  
14 Factor calculation process, as described in 471 NAC 12-011.08D5, in  
15 effect on January 1, 2019, for FY2019-20 and FY2020-21.

16 The Department of Health and Human Services shall file a report with  
17 the Legislative Fiscal Office and the Clerk of the Legislature no later  
18 than August 1, 2019, on how the Inflation Factor was calculated for  
19 FY2019-20 rates and no later than August 1, 2020, on how the Inflation  
20 Factor was calculated for FY2020-21 rates.

21 It is the intent of the Legislature that phased-down state  
22 contributions to the federal government as defined and required by the  
23 federal Medicare Prescription Drug, Improvement, and Modernization Act of  
24 2003 may be made from appropriations to this program.

25 The chief executive officer of the Department of Health and Human  
26 Services may certify to the budget administrator of the budget division  
27 of the Department of Administrative Services FY2019-20 and FY2020-21  
28 unexpended appropriation balances for Medical Assistance, Program No.  
29 348, available to transfer to Developmental Disabilities Aid, Program No.  
30 424, to be used only to maintain individuals with an intellectual or  
31 developmental disability in a medicaid program that best serves their

2019-20 Projected Spending (State + Federal Funds):

Nursing Facilities Special Needs	25,889,000		
Nursing Facilities	323,251,182		
Projected Spending Net of POS	349,140,182		
2.25% Utilization Increase	7,256,215		
QAA Add-on Payments	6,907,124		
Total Projected Expenditures (with QAA)	363,303,521	INFLATION FACTOR	0.9502
			-4.98%

2019-20 Legislative Direction (State + Federal Funds):

Base Appropriation	315,098,424
One-time Adjustment	7,400,000
Subtotal	322,498,424
2.25% Utilization Increase	7,256,215
Subtotal	329,754,639
2% for Rate Increases	6,595,093
Total Appropriation (Before QAA)	336,349,732
QAA Add-on Payments	6,907,124
QAA Actual \$\$ Available to Increase Inflation Factor	19,756,229
QAA Additional per Legislature Direction	277,114
Total Target Expenditures (with QAA)	363,290,199

Difference	13,322
(Should be as close to zero as possible and a positive amount)	

(the add-on is computed separately based on the most current QAA data and is a separate rate component for each facility)

Total Projected Add-on Payments for 2018-19		\$6,907,124	from "QAA projected 2019-20" file
QAA Actual \$\$ Available to Increase Inflation Factor		\$19,756,229	from "QAA projected 2019-20" file
QAA Additional per Legislature Direction		\$277,114	
Total QAA Expenditures per Legislative Direction		26,940,467	

Nursing Facilities Calculations

	FY 20	GF	FF
	FY 19 Est		
Base (only appropriations)	315,098,424		
1X Adjustment	7,400,000	3,389,940	4,010,060
Subtotal	322,498,424	147,736,528	174,761,896
2.25% Utilization	7,256,215	3,324,072	3,932,143
Subtotal	329,754,639	151,060,600	178,694,039
2% Rate	6,595,093	3,021,212	3,573,881
Total	336,349,731	154,081,812	182,267,919
Total Expend (with QAA)	363,290,199	166,423,240	196,866,959
Rate and Utilization	13,851,307	6,345,284	7,506,023
Total Increase	21,251,307	9,735,224	11,516,083
	FY 21		
FY 20 Base	336,349,731	152,299,158	184,050,573
2.25% Utilization	7,567,869	3,426,731	4,141,138
Subtotal	343,917,600	155,725,889	188,191,711
2% Rate	6,878,352	3,114,518	3,763,834
Total	350,795,952	158,840,407	191,955,545
Total Expend (with QAA)	377,736,420	171,039,051	206,697,369
Rate and Utilization from FY 20 base	14,446,221	6,541,249	7,904,972
Total Increase	35,697,528	16,163,841	19,533,687
	FY 20 Match	FY 21 Match	
GF match	0.4581	0.4528	
FMAP	0.5419	0.5472	