

Revised to include agency response

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	\$106,045		\$349,879	
FEDERAL FUNDS	\$106,045		\$1,274,398	
OTHER FUNDS				
TOTAL FUNDS	\$212,090		\$1,624,277	

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

This bill would require the Department of Health and Human Services (DHHS) to submit either a waiver or state plan amendment to the Centers for Medicare and Medicaid Services (CMS) no later than October 1, 2025 for the purpose of designating two medical respite facilities to reimburse for services to qualifying individuals. One of the respite facilities is required to be in a city of the metropolitan class and the other in a city of the primary class. Once the submission is approved, DHHS is required to submit a report to the Health and Human Services Committee of the Legislature on or before November 30 of each year detailing the number of people experiencing homelessness served at each facility, the cost of the program, and the amount of reduction in health care costs due to implementation.

DHHS assuming an implementation date of October 1, 2025 which is permissible by the bill as the state plan amendment can be submitted earlier. The agency’s administrative expenses consist of 2 FTE Program Specialists and \$250,000 per year for a contract to monitor the program. In order to establish the program, the agency needs to hire the staff and pay the contractor beginning in January 2025 allowing 9 months to establish rules and regulations for the new program and compile the documents for the state plan amendment submission. As such, in FY25, the agency needs \$125,000 for the monitoring contract and approximately \$87,090 for 2 FTE Program Specialists, totaling \$212,090. The admin costs total \$432,889 in FY26 and \$438,376 in FY27. Administrative expenses require 50% Federal Funds and 50% state fund contribution.

Assuming utilization by 500 individuals experiencing homelessness per year for a total of 30 days each at a rate of \$200 per day, the total aid cost is estimated to be \$2,250,000 in FY26 (9 months) and \$3,000,000 in FY27 (12 months). Applying ER savings proportional to the population assumption, 23.9% of both the population served and ER savings compared to the DHHS estimate, the total aid cost is \$1,191,388 in FY26 and \$1,588,517 in FY27. Additional information on the assumption used in this calculation can be found in the earlier fiscal note for [LB 905](#). Aid expenses utilize a fund mix of 88.8% Federal Funds and 11.2% State funds in the form of Medicaid Managed Care Excess Profit Cash Funds.

This new program depends on the availability of funds in the Medicaid Managed Care Excess Profit Cash Fund. If the cash fund lacks sufficient funding, DHHS may need to submit future deficit requests for General Funds to the legislature or reduce the amount awarded to the two respite facilities to implement required provisions of this bill.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE				
LB:	905	AM:	2766	AGENCY/POLT. SUB: Nebraska Department of Health & Human Services
REVIEWED BY:	Ann Linneman	DATE:	3-12-2024	PHONE: (402) 471-4180
COMMENTS: Concur with the Nebraska Department of Health & 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) John Meals

Date Prepared 3-4-2024

Phone: (5) 471-6719

	<u>FY 2024-2025</u>		<u>FY 2025-2026</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	\$190,318		\$1,300,558	
FEDERAL FUNDS	\$190,318		\$8,814,831	
OTHER FUNDS				
TOTAL FUNDS	\$380,636	\$0	\$10,115,389	\$0

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

Explanation of Estimate:

LB905/AM2766 requires Medicaid to submit to the Centers for Medicare and Medicaid Services (CMS) for approval a state plan amendment (SPA) or waiver to cover medical respite services for homeless individuals covered under the adult expansion group. This bill requires Medicaid to designate two facilities to provide these services to the targeted population. This bill also states the non-federal portion shall be funded by the Medicaid Managed Care Excess Profit Fund.

This fiscal note assumes a waiver would be utilized. The fiscal impact from this bill would include the effort needed from Medicaid operational staff and contractors to develop, submit, and oversee a demonstration waiver request to CMS. To fulfill the work needed to develop and oversee the waiver, the Department of Health and Human Services (DHHS) will need to hire two additional Program Specialists starting October 1, 2024, at a cost of \$130,635 in SFY 2025 and \$182,889 in SFY 2026. In addition to the new positions, a 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 \$250,000 per year. Administration costs are assumed at 50% Federal Funds and 50% General Funds.

If the waiver is accepted by CMS, the fiscal impact will also include the expenditures needed for these respite services. Given a target population of 2,090 people (population in Omaha and Lincoln), an average respite stay of 37.5 days, and an average daily cost of \$240, the resulting aid expenditures for the respite services are an estimated \$18,810,000 per year. With an effective date of October 1, 2025, the total for SFY25 is \$0 and for SFY26 is \$14,107,500. We do not have data available on possible utilization or frequency of stays for the homeless targeted population. For this fiscal note, we have assumed one respite stay per person per year.

As a result of the respite care provided by LB905/AM2766, cost savings are assumed to be available due to less emergency room (ER) visits and inpatient (IP) hospital stays needed for this population. Based on 2023 data, the total cost for the targeted population related to ER visits and IP stays was approximately \$5,900,000. We do not have data available on what impact the respite care services will have on the reduction in ER visits and IP stays; this fiscal note assumes a reduction of 100% which results in annual savings of \$5,900,000. For SFY25, the total savings is \$0 and for SFY26, the total savings is \$4,425,000. Offsetting these savings with the respite care expenses above, the net result is \$0 in additional annual aid expenditures for SFY25 and \$9,682,500 for SFY26. Using a blended rate of 88.80% for Federal Funds, the fiscal impact to SFY26 is \$8,814,831 Federal Funds and \$1,300,558 Cash Funds.

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS		2024-2025	2025-2026
	24-25	25-26	EXPENDITURES	EXPENDITURES
DHHS Program Specialist	1.5	2.0	\$76,375	\$106,924
Benefits.....			\$26,731	\$37,423
Operating.....			\$277,530	\$288,542
Travel.....				
Capital Outlay.....				
Aid.....			\$0	\$9,682,500
Capital Improvements.....				
TOTAL.....			\$380,636	\$10,115,389