

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2023-24		FY 2024-25	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below		See below	

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

This bill requires Medicaid benefits, of either regular Medicaid or the Children’s Health Insurance Program (CHIP), to be provided on a continuous basis without review for children under the age of nineteen regardless of changes to resources or income until the earlier of: 1) the anniversary date of the child’s eligibility, 2) the child’s nineteenth birthday or 3) the child moves out of Nebraska.

Due to the COVID-19 Public Health emergency (PHE), no one who was eligible for Medicaid at one point during the emergency, regardless of age or change in income, has been disenrolled. The continuous coverage requirement has since been decoupled from the PHE and redeterminations may be initiated as early as February 1, 2023 and disenrollment can begin on April 1, 2023 as long as notice requirements are met. Furthermore, Nebraska currently allows for six months of continuous eligibility for children from their initial eligibility and federal law requires newborns whose birth was covered by Medicaid be continuously eligible until their first birthday.

New federal law requires states to provide 12 months of continuous coverage for children regardless of any change in circumstances that would otherwise impact the child’s eligibility starting January 1, 2024. As such the following charts show the cost of LB326, initiating the continuous eligibility requirement October 1, 2023 (the operative date for this bill) and the additional costs DHHS will incur regardless of the bill for continuous eligibility beyond January 1, 2024.

FY24 funding required for LB326: October 1, 2023 through December 31, 2023

	Medicaid	CHIP	Total
General Funds	6,803,540	736,322	7,539,863
Federal Funds	9,630,132	1,804,472	11,434,604
Total	16,433,672	2,540,794	18,974,467

FY24 funding required for new Federal requirement: January 1, 2024 through June 30, 2024

	Medicaid	CHIP	Total
General Funds	13,607,081	1,472,644	15,079,725
Federal Funds	19,260,264	3,608,945	22,869,208
Total	32,867,345	5,081,589	37,948,933

FY25 funding required for new Federal requirement: July 1, 2024 through June 30, 2025

	Medicaid	CHIP	Total
General Funds	\$27,758,445	\$3,004,194	\$30,762,639
Federal Funds	\$39,290,939	\$7,362,246	\$46,653,185
Total	\$67,049,384	\$10,366,440	\$77,415,824

DHHS indicates fund mix concerns regarding the different Federal Medical Assistance Percentages (FMAPs) for CHIP recipients and Medicaid recipients. CHIP is funded with an enhanced FMAP meaning that for eligible services claims states are required to contribute less money than the same services for regular Medicaid recipients. For federal fiscal year 2024, October 2023 through September

2024, the regular FMAP used for Medicaid is 58.6% and the enhanced FMAP used for CHIP is 71.02%. The concern is that Nebraska could miss out on additional federal funding if a recipient remains continuously eligible for Medicaid when they would be eligible for CHIP. Conversely, the state could incorrectly claim too much federal funds if a recipient remains continuously eligible for CHIP if a change would take them into a children's Medicaid category.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB:	326	AM:	AGENCY/POLT. SUB: Nebraska Department of Health & Human Services		
REVIEWED BY:	Ann Linneman	DATE:	2-7-2023	PHONE:	(402) 471-4180
COMMENTS: The Nebraska Department of Health and Human Services' analysis and estimate of fiscal impact to the department appears reasonable.					

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 2-6-2023

Phone: (5) 471-6719

	<u>FY 2023-2024</u>		<u>FY 2024-2025</u>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$22,619,588		\$30,762,639	
CASH FUNDS				
FEDERAL FUNDS	\$34,303,812		\$46,653,185	
OTHER FUNDS				
TOTAL FUNDS	\$56,923,400	\$0	\$77,415,824	\$0

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

Explanation of Estimate:

LB 326 requires the agency to implement extended continuous eligibility (CE) for children under the age of 19 until the earlier of:

- The anniversary of the date on which the child’s eligibility was determined.
- The child’s nineteenth birthday; or
- The child moves out of Nebraska.

This impact summary assumes the proposed legislation includes children who are determined eligible for both Medicaid and Children’s Health Insurance Program (CHIP). Currently, the State allows for six months of CE for children from their initial eligibility determination in both Medicaid and CHIP and federal law requires states provide CE to newborns until their first birthday if Medicaid covered the services for the birth.

LB 326 will create an overall cost increase because children who previously would have been closed for a finding that they are “over-income” due to an increase in income will instead remain Medicaid or CHIP eligible until their renewal. Below are estimates for both Medicaid and CHIP for state fiscal year (SFY) 2024 and SFY 2025. Using SFY 2022 data, the fiscal impact was calculated with estimates for the number of children who would continue coverage under LB326 who would have otherwise been disenrolled and applying average expenses across that number of children. The operative date of LB326 is October 1, 2023, so SFY 2024 only includes the impact of nine months.

	Medicaid	CHIP	Total
General Funds	\$20,410,621	\$2,208,967	\$22,619,588
Federal Funds	\$28,890,396	\$5,413,416	\$34,303,812
Total SFY 2024	\$49,301,017	\$7,622,383	\$56,923,400

	Medicaid	CHIP	Total
General Funds	\$27,758,445	\$3,004,194	\$30,762,639
Federal Funds	\$39,290,939	\$7,362,246	\$46,653,185
Total SFY 2025	\$67,049,384	\$10,366,440	\$77,415,824

There are funding concerns related to Federal Medical Assistance Percentage (FMAP). CHIP has an enhanced match rate; the FMAP is higher for CHIP compared to Medicaid. LB326 would result in cases not being re-determined for 12 months. This could result in children remaining under Medicaid throughout the entire 12 months, when a redetermination could have resulted in them being eligible for CHIP; thus, receiving a higher federal match. Conversely, the state could incorrectly claim enhanced funding for months a child who may not have been eligible in CHIP if a change would take them into a children’s Medicaid category.

PERSONAL SERVICES:

POSITION TITLE	NUMBER OF POSITIONS		2023-2024	2024-2025
	23-24	24-25	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				
Travel.....				
Capital Outlay.....				
Aid.....			\$56,923,400	\$77,415,824
Capital Improvements.....				
TOTAL.....			\$56,923,400	\$77,415,824