

**SPECIFIC PROCEDURES REPORT OF THE
NEBRASKA HEALTH AND HUMAN
SERVICES SYSTEM
NURSING FACILITIES
INTERGOVERNMENTAL TRANSFERS
FOR THE PERIOD JULY 1, 1999
THROUGH DECEMBER 31, 2000**

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
NURSING FACILITIES INTERGOVERNMENTAL TRANSFER

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NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
NURSING FACILITIES INTERGOVERNMENTAL TRANSFER

BACKGROUND

In April 1998, HHS began an intergovernmental transfer (IGT) arrangement with government-operated nursing facilities. The arrangement involves creating a proportionate share pool to increase Medicaid dollars received from the Federal government. HHS estimates the difference between the maximum Medicare rate and the Medicaid rate paid to all nursing facilities (governmental and private). This amount is then distributed to governmental nursing homes. The nursing homes, after keeping a participation fee, are required to transfer the remainder back to HHS. The funds are deposited into the State General Fund to reimburse the matching dollars used for the initial payments, and the remainder (the Federal portion) is deposited into the Nebraska Medicaid Intergovernmental Trust Fund (formerly the Nebraska Health Care Trust Fund).

Funds from the IGT and interest earnings were utilized by the following funds:

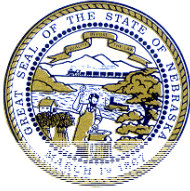
- Nursing Facility Conversion Cash Fund: for the purpose of providing grants to create new or convert existing nursing home beds to assisted living facilities, and for expenses incurred to administer the grants;
- Children's Health Insurance Cash Fund: for the purpose of providing the State's matching share for children's health insurance under Title XXI of the federal Social Security Act (Kid's Connection), and for expenses incurred to administer the program; and
- Nebraska Health Care Cash Fund (formerly the Excellence in Health Care Trust Fund): for awarding grants related to public health issues, such as education, preventive health measures, providing medical testing, and staffing needs. Up to one-half of the Fund may be used for additional nursing facility conversion grants. This Fund may also be used for the State's matching share for children's health insurance under Title XXI of the federal Social Security Act in excess of the funds paid out of the Children's Health Insurance Cash Fund.

On January 12, 2001, The Health Care Financing Administration (HCFA), the federal regulatory agency for Medicaid, issued revisions to the upper payment limitations that will significantly limit the aggregate Medicaid payments to government facilities. The new regulations include a transition period, during which the financial impact would be gradually phased in and become fully effective on October 1, 2008. The U.S. Department of Health and Human Services Office of Inspector General (OIG) estimates that in Nebraska alone, during the transition period, the Federal Government will save \$142 million. Once the regulatory changes are fully implemented the OIG estimates additional savings to the Federal Government of \$44 million annually. In addition, the OIG recommended HCFA require States to assure that enhanced payments will be retained by providers and used to provide services to Medicaid-eligible individuals. In addition, the OIG recommended all Medicaid payments returned by providers to the State be treated as refunds and consequently used to offset Medicaid expenditures.

MISSION STATEMENT

“We help people live better lives through effective health and human services.”

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Steve Curtiss, Director
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Finance and Support
P.O. Box 95026
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Dear Mr. Curtiss:

We have performed the specific procedures described below concerning the Nebraska Health and Human Services System (HHS) – Nursing Facilities Intergovernmental Transfers for the period July 1, 1999 through December 31, 2000.

Our review was made in accordance with Neb. Rev. Stat. Section 84-304 R.S. Supp., 2000, which authorizes the examination of the agency records.

The two transfers during the period for this report included \$91,061,827 in December 1999 and \$86,220,382 in October 2000.

Our procedures were as follows:

- A. HHS methodology for the December 1999 and October 2000 transfers involved calculating the difference between adjusted Medicare and Medicaid rates for each level of care multiplied by the days of service. This difference was then totaled for all nursing facilities (230 in 1999 and 231 in 2000) and the Medicaid total was adjusted to obtain the proportionate share pool amount. An adjustment was made to the pool to subtract payments made to facilities selecting the optional participation fee. The pool was distributed to the governmental facilities based on each facility's percent of Medicaid days of service. We tested the calculation of the pool for December 1999 and October 2000. We also tested the IGT payments to the nursing facilities and the transfer from the nursing facilities to the State to determine whether the correct amount, adjusted for the participation fee, was returned to the State and the proper amounts were deposited to the General Fund and the Medicaid Intergovernmental Trust Fund based on the Federal participation rate.

- B. We reviewed fund transfers required by Neb. Rev. Stat. Sections 71-7607, 71-7608, and 71-7611 R.S. Supp., 2000.
- C. We reviewed disbursements from funds which received statutory transfers from the Nebraska Medicaid Intergovernmental Trust Fund (formerly the Nebraska Health Care Trust Fund). We tested two grant payments from the Nebraska Health Care Cash Fund (formerly the Excellence in Health Care Trust Fund) and six payments to Nursing Facilities from the Nursing Facility Conversion Fund to determine whether payments were allowable and in accordance with regulations. We also tested two non-profit and one for-profit nursing facilities to determine whether match and retainage requirements were met.
- D. We compiled the accompanying schedules and charts as described in the Table of Contents.

As a result of our study of the Nursing Facilities Intergovernmental Transfers, we noted certain issues which the Nebraska Health and Human Services System should consider relative to those procedures. These issues are included in the Comments and Recommendations section of our report.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention which would have been reported to you.

This report is intended for the information of the Nebraska Health and Human Services System. However, this report is a matter of public record and its distribution is not limited.

Pat Reding, CPA

March 22, 2001

Pat Reding
Assistant Deputy Auditor

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
NURSING FACILITIES INTERGOVERNMENTAL TRANSFERS

SUMMARY OF COMMENTS

During our study of the Nebraska Health and Human Services System – Nursing Facilities Intergovernmental Transfers, we noted certain matters involving internal control and other operational matters that are presented here. Comments and recommendations are intended to improve internal controls, ensure compliance, or result in operational efficiencies.

1. ***Disposition of IGT Funds Uncertain:*** Revised Federal regulations will significantly impact IGT funds available. The reduction in Federal funds for the biennium including fiscal years 2004 and 2005 totals \$20 million. The Inspector General recommends IGT funds returned to the State be treated as refunds and offset against Medicaid expenditures.
2. ***IGT Was Not Adequately Supported and Was Not Calculated Correctly:*** HHS did not have adequate support for \$26,696,299 in adjustments used to calculate the December 1999 IGT. An error in the calculation of the October 2000 transfer resulted in \$3,188,208 being over charged to the Federal government.
3. ***Overcharge Not Reimbursed:*** Our prior report recommended a \$1,450,104 overcharge to the Federal government be reimbursed. HHS indicated the next IGT would be adjusted to correct the error; however, no reimbursement or adjustment was made.
4. ***Reconciliations Not Performed:*** Regulations in effect for the April 1998, October 1998, and December 1999 IGT's required estimated amounts be compared to final calculations and necessary adjustments be made to the subsequent distribution. HHS has not performed these reconciliations and no adjustments have been made.
5. ***Inconsistent Participation by Facility:*** A facility participated in the December 1999 transfer but not the October 2000 transfer. Our prior report noted this same facility participated in April 1998 but not October 1998.
6. ***Investment Income Not Transferred:*** Investment income of \$45,471 from the Nebraska Medicaid Intergovernmental Trust Fund and \$117 from the Nebraska Tobacco Settlement Fund was not transferred to the Nebraska Health Care Cash Fund as required by statute.
7. ***Facility Did Not Fulfill Match Requirements:*** One facility tested did not provide the 20% match required of proprietary facilities receiving conversion grants.
8. ***Noncompliance with Regulations:*** The December 1999 IGT was calculated in accordance with amendments to regulations which were not approved.

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature since it only contains our comments and recommendations on the areas noted for improvement.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
NURSING FACILITIES INTERGOVERNMENTAL TRANSFERS

SUMMARY OF COMMENTS
(Concluded)

Draft copies of this report were furnished to HHS to provide them an opportunity to review the report and to respond to our comments and recommendations. All formal responses received have been incorporated into this report. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next review.

We appreciate the cooperation and courtesy extended to our staff.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
NURSING FACILITIES INTERGOVERNMENTAL TRANSFERS

COMMENTS AND RECOMMENDATIONS

1. Disposition of IGT Funds Uncertain

On January 12, 2001, The Health Care Financing Administration (HCFA), the federal regulatory agency for Medicaid, issued revisions to the upper payment limitations that will significantly limit the aggregate Medicaid payments to government facilities. The new regulations include a transition period, during which the financial impact would be gradually phased in and become fully effective on October 1, 2008.

A report entitled Review of Medicaid Enhanced Payments to Public Providers and the Use of Intergovernmental Transfers by the State of Nebraska (A-07-00-02076) issued February 2001 by the U.S. Department of Health and Human Services Office of Inspector General states, “Our review found that the Medicaid enhanced payments to the city and county owned nursing facilities were not based on the actual cost of providing services to Medicaid beneficiaries, or directly related to increasing the quality of care provided by public facilities. . . . For the funds transferred back to the State . . . it appears that the State did not incur an expenditure for which Federal matching funds may be claimed. This condition draws into question whether amounts returned to the State agency constitute a refund required to be reported as other collections and consequently offset against expenditures.” The OIG recommended HCFA require States to assure that enhanced payments will be retained by providers and used to provide services to Medicaid-eligible individuals. In addition, the OIG recommended all Medicaid payments returned by providers to the State be treated as refunds and consequently offset Medicaid expenditures.

The OIG report is one in a series of reports for six States. At the completion of all the audits the OIG will issue a summary report to HCFA which will include additional recommendations addressing enhanced payments and the use of IGTs.

Sound business practices require financial planning to anticipate changes in funding sources. Good internal control requires procedures to ensure compliance with State and Federal regulations. The Federal share of the Nebraska IGT was transferred to the Nebraska Medicaid Intergovernmental Trust Fund, the Nursing Facility Conversion Cash Fund, the Nebraska Health Care Cash Fund and the Children’s Health Insurance Cash Fund.

The transition period would significantly reduce Federal funds during fiscal years 2004 through 2009. During this time, the total reduction in Federal funds would be \$142 million. After the transition period, the revised regulations would decrease funds to the State by \$44 million annually. The detailed savings per year are outlined on page 16 in the Schedule of Funding Changes to IGT Based on Implementation of Revised Regulations.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
NURSING FACILITIES INTERGOVERNMENTAL TRANSFERS

COMMENTS AND RECOMMENDATIONS

1. Disposition of IGT Funds Uncertain (Concluded)

We recommend HHS consider the effects of revised Federal regulations for budget planning. We further recommend HHS revise State regulations and implement procedures to ensure compliance with Federal regulation changes.

Agency's Response: The Department concurs with your finding that new federal regulations will significantly impact IGT funds available in future years. Based upon the Department's understanding of these new federal regulations, projections of IGT fund availability for the next several years have been made and distributed to the Governor's Budget Office and the Legislative Research Office. In your findings, you cite that the Inspector General recommends IGT funds returned to the state be treated as refunds and offset against Medicaid expenditures. The Department understands why the Inspector General would make such a recommendation, but finds no foundation in federal law to support this as a requirement. The disposition of all intergovernmental transfer funds generated through the state's Medicaid program will remain at the discretion of the State Legislature.

2. IGT Was Not Adequately Supported and Was Not Calculated Correctly

Good internal control requires procedures to ensure amounts are adequately supported and calculations are accurate.

We noted the following:

- HHS did not have written documentation to support the estimates and adjustments used to calculate the final 1999 pool amount. The outside vendor contracted by HHS calculated the Medicaid estimate to be \$293,594,040. HHS increased this amount by \$26,696,299. There was no support for this increase. This resulted in a difference between Medicaid and the Medicare upper limit of \$93,300,905. Without adequate supporting documentation, auditors were unable to determine whether the estimates used were reasonable or the final pool amount was accurate.
- An error was made in the calculation for the October 2000 transfer resulting in the pool being overstated by \$5,280,238. As a result, \$3,188,208 was over-charged to the federal Medicaid program.

A similar finding was noted in our prior report.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
NURSING FACILITIES INTERGOVERNMENTAL TRANSFERS

COMMENTS AND RECOMMENDATIONS

2. IGT Was Not Adequately Supported and Was Not Calculated Correctly (Concluded)

We recommend HHS maintain written documentation to support estimates used and adjustments made. We further recommend the Federal government be reimbursed the \$3,188,208 which was over-charged.

Agency's Response: The December 1999 IGT was the Department's calculation of the Medicare upper limit for state fiscal year 2000. Actual Medicaid payments for state fiscal year 1999 were used as the basis for the calculation comparison to Medicare rates for fiscal year 2000. Thus, the 1999 rates needed to be adjusted for expected cost inflation, with an additional adjustment for expected retroactive settlements to actual cost. Additionally, since Medicare includes prescription drugs and lab/radiology services within their prospective rates and Medicaid rates do not, the Medicaid rates needed to be adjusted for these factors. The \$26,696,299 in adjustments are accounted for by applying a Medicaid inflation rate of 6.04%, adding an 8% inflation rate adjustment for prescription drug costs, and a lab/radiology use rate increase of 1%. Additionally, we projected that nursing facility cost settlements would add an additional \$8.5 million to the state fiscal year 2000 cost estimate.

In item 2, you also cite an error in the calculation of the October 2000 transfer resulting in \$3,188,208 being overcharged to the federal government. The Department concurs that it erred in the calculation of the October 2000 transfer by this amount, and will reduce its federal claim by the stated amount.

3. Overcharge Not Reimbursed

Good internal control requires procedures to ensure errors are corrected in a timely manner. Federal Regulations 42 C.F. R. Section 433.300 (2000) requires overpayments be adjusted within 60 days of discovery.

Our prior report noted that \$1,450,104 was paid twice from federal funds. This error occurred due to a separate nursing facility payment that was not reduced from the proportionate share pool. HHS agreed with our finding and suggested adjusting the Fall 2000 transfer to correct for this miscalculation. The adjustment was not made. Because the pool was distributed to providers, this overpayment falls under the requirements of Section 433.300 and should have been adjusted within 60 days. Failure to comply with Federal requirements could result in penalties.

We recommend the adjustment, in the amount of \$1,450.104, be made pursuant to Federal law.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
NURSING FACILITIES INTERGOVERNMENTAL TRANSFERS

COMMENTS AND RECOMMENDATIONS

3. Overcharge Not Reimbursed (Concluded)

Agency's Response: In a previously issued report, your office recommended a \$1,450,104 overcharge to the federal government be reimbursed. HHS indicated the next IGT would be adjusted to correct the error; however, no reimbursement or adjustment was made.

The Department is aware of the \$1,450,104 overcharge that occurred relative to the calculation of the intergovernmental transfer for Douglas County Hospital for state fiscal year 1999. Because reconciliations to actual costs for fiscal year 1999 have not been completed, no adjustment has been made to date (see also response to item 4 below).

4. Reconciliations Not Performed

Title 471 NAC 12-011.07J stated, "The estimated pool and the facilities' estimated proportionate share are reconciled after final cost reports are received and final calculations made. Estimated amounts will be compared to final calculations and necessary adjustments will be made to the facilities' estimated distribution in the subsequent distribution."

These regulations were in effect for the December 1999 IGT; however, a reconciliation of the estimate was not performed and no adjustments were made. We noted in our prior report the April 1998 and October 1998 transfers were not reconciled or adjusted. These have not yet been reconciled or adjusted.

We recommend HHS reconcile and adjust estimated amounts on a timely basis and that no additional transfers be performed until the April 1998, October 1998, and December 1999 transfers have been reconciled.

Agency's Response: The Department has not finalized its reconciliation for the first two intergovernmental transfers made in April, 1998 and October, 1998, due to an outstanding preliminary review completed by the Office of Inspector General. When the Inspector General releases their final report to the state and the Health Care Financing Administration, the Department will conduct a final reconciliation of the Medicare upper limit calculations for 1998 and state fiscal year 1999 (conducted in October, 1998). The Department has supporting documentation concluding that it did not exceed federal requirements in determining the Medicare upper limits for either of these two years.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
NURSING FACILITIES INTERGOVERNMENTAL TRANSFERS

COMMENTS AND RECOMMENDATIONS

5. Inconsistent Participation by Facility

Neb. Rev. Stat. Section 71-7607 R.S. Supp., 2000 states, “the department shall adopt and promulgate rules and regulations to establish the procedures for participation by governmental nursing facilities and for the receipt of such revenue under this section.” Title 471 NAC 12-011.07F states, “City or county owned refers to the common meaning of ownership of the physical structure(s); the governmental entity may or may not be directly involved in the daily operations of the facility.”

A nursing facility participated in the December 1999 transfer but did not participate in the October 2000 transfer. The nursing facility in question operated in a building owned by the County. This same facility participated in the April 1998 transfer but not the October 1998 transfer. Our prior report also noted this inconsistency and recommended HHS determine whether funds were owed to the facility because it was incorrectly omitted from the transfer or whether the State was owed the participation fee if incorrectly included.

We recommend HHS implement procedures to ensure regulations
are properly written and followed for each transfer.

Agency’s Response: The Department concurs that there was inconsistent participation by one county-owned facility in the intergovernmental transfer process. To correct this inconsistency, the Department will be issuing a warrant for \$10,000 to the Duff Memorial Nursing facility, located in Otoe County.

6. Investment Income Not Transferred

Neb Rev. Stat. Section 71-7607 R.S. Supp., 2000 states, “Investment income from the Nebraska Medicaid Intergovernmental Trust Fund shall be transferred to the Nebraska Health Care Cash Fund to be used as provided in section 71-7611.” Neb. Rev. Stat. Section 71-7608 R.S. Supp., 2000, requires the investment income from the Nebraska Tobacco Settlement Trust Fund be transferred to the Nebraska Health Care Cash Fund.

We noted the following:

- Investment income received September 2000, by the Nebraska Medicaid Intergovernmental Trust Fund in the amount of \$45,471 was not transferred to the Nebraska Health Care Cash Fund as required.
- Investment income received by the Nebraska Tobacco Settlement Trust Fund in September 2000, in the amount of \$117 was not transferred to the Nebraska Health Care Cash Fund as required.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
NURSING FACILITIES INTERGOVERNMENTAL TRANSFERS

COMMENTS AND RECOMMENDATIONS

6. Investment Income Not Transferred (Concluded)

We recommend HHS transfer \$45,471 from the Nebraska Medicaid Intergovernmental Trust Fund, and \$117 from the Nebraska Tobacco Settlement Trust Fund, to the Nebraska Health Care Cash Fund. We further recommend HHS periodically review the funds to ensure all investment income is transferred as required.

Agency's Response: We agree the Treasurer's office did not transfer this interest to the Nebraska Health Care Cash Fund as of March 31, 2001.

The interest in question represents a September 5, 2000 special distribution of interest posted by the Department of Administrative Services (DAS). DAS distributed approximately \$3 million, in total, of interest representing undistributed interest accumulated over more than one year's time. It posted to the accounting system on September 5, 2000. It was a special distribution in that system generated reports were not prepared nor distributed to inform agencies of the amounts.

The State Treasurer's Office (STO) missed transferring the September 5, 2000 special interest distribution. After conferring with the STO, we believe it was due to the lack of the system generated reports informing the STO of the amount.

As of April 10, 2001, the following corrective action was taken:

- A journal entry was posted on April 10, 2001 transferring \$45,471 of interest income from the Nebraska Medicaid Intergovernmental Trust and \$117 from the Tobacco Settlement Trust Fund to the Nebraska Health Care Trust.*
- Investment Authorization forms were prepared for both trusts directing DAS to credit investment earnings from both trusts directly to the Nebraska Health Care Trust, thus eliminating the need for the STO to transfer the monthly earnings. Once established, periodic monitoring by the agency will occur to ensure distributions are performed in accordance with the instructions.*

7. Facility Did Not Fulfill Match Requirements

Title 402 NAC 1-005 states, "Non-governmental grantees shall provide 20% of the total cost of any conversion." HHS payment procedures required 5% of reimbursement requests be withheld and retained until the project was completed and all required documentation was received.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
NURSING FACILITIES INTERGOVERNMENTAL TRANSFERS

COMMENTS AND RECOMMENDATIONS

7. Facility Did Not Fulfill Match Requirements (Concluded)

For one of three non-governmental facilities tested, we noted the 20% required match was not met and the 5% retainage was not withheld until final supporting documentation had been received from the facility showing the match had been met. The required match for the facility was \$77,146, but records supported the match provided was only \$73,732, for a variance of \$3,414.

We recommend HHS request documentation from the facility to ensure the match was met, or request reimbursement of \$3,414. We further recommend HHS review procedures to ensure retainages are properly withheld.

Agency's Response: This finding involves the nursing facility conversion grant award to the Memorial Health Center in Sidney. Documentation has been received confirming that the facility's match requirement has been met. No repayment of grant fund is required from the facility. The facility has documented that the average cost of construction for each respective unit under the grant exceeded \$65,000, thus the facility's 20% match to earn a \$52,000 grant per unit has been accomplished.

Retainage procedures have been reviewed by the Department's nursing facility conversion financial consultant, Tom Folmer. No change will be made to the procedures; however, an additional step will be implemented which will timely review all non-governmental facility grants. This review will be completed to ensure that all facilities have met match requirements, or that repayment of grant monies will be secured.

8. Noncompliance with Regulations

Neb. Rev. Stat. Section 84-908 R.R.S. 1999 states, "No adoption, amendment, or repeal of any rule or regulation shall become effective until the same has been approved by the Governor and filed with the Secretary of State . . ."

Title 471 NAC 12-001.07F amendments were approved on March 12, 2000. The IGT for December 1999 was calculated and made according to these amended rules and regulations, which were not yet approved.

We recommend HHS follow approved regulations.

Agency's Response: Thank you for your comment concerning amendments to these regulations which were not approved prior to the December, 1999 IGT. Because of the limited scope of the regulation amendments, the Department concluded that the scheduled IGT transfer should occur on a timely basis to be consistent with the Federal Plan.

Nebraska Health and Human Services System

Schedules of Activity

July 1, 1999 through December 31, 2000

INTERGOVERNMENTAL TRANSFERS

	<u>December 1999</u>	<u>October 2000</u>	<u>Total</u>
Proportionate Share Pool	\$ 91,061,827	\$ 86,220,382	\$ 177,282,209
Less: \$10,000 Participation Fee to Nursing Homes	<u>(480,000)</u>	<u>(470,000)</u>	<u>(950,000)</u>
Transfer Back to State	90,581,827	85,750,382	176,332,209
Deposit to General Fund to Repay Matching Dollars	<u>(35,623,387)</u>	<u>(34,160,515)</u>	<u>(69,783,902)</u>
Total Federal Funds returned to State	<u>\$ 54,958,440</u>	<u>\$ 51,589,867</u>	<u>\$ 106,548,307</u>
Deposit to:			
Trust Fund 6264*	\$ 54,958,440	\$ 37,589,867	\$ 92,548,307
Nursing Facility Conversion Cash Fund	<u>-</u>	<u>14,000,000</u>	<u>14,000,000</u>
Total	<u>\$ 54,958,440</u>	<u>\$ 51,589,867</u>	<u>\$ 106,548,307</u>

TRUST FUND 6264*

Fund Balance June 30, 1999	\$ 17,428,850
IGT Deposits December 1999	54,958,440
Investment Income	<u>2,569,958</u>
Total Receipts	57,528,398
Transfers Out, to Health Care Cash Fund	<u>2,601,904</u>
Fund Balance June 30, 2000	<u>\$ 72,355,344</u>
IGT Deposits October 2000	37,589,867
Investment Income	<u>2,412,801</u>
Total Receipts	<u>40,002,668</u>
Transfers Out, to Health Care Cash Fund	<u>2,367,330</u>
Fund Balance December 31, 2000	<u>\$ 109,990,682</u>

* Nebraska Medicaid Intergovernmental Trust Fund (formerly the Nebraska Health Care Trust Fund until July 13, 2000).

Nebraska Health and Human Services System
Funds Receiving Statutory Transfers from Trust Fund 6264*
Schedules of Activity
July 1, 1999 through December 31, 2000

	Nursing Facility Conversion Cash Fund 2262	Nebraska Health Care Cash Fund 2264	Children's Health Insurance Cash Fund 2266
Fund Balance at June 30, 1999	\$ 41,830,750	\$ 710,103	\$ 25,203,426
Receipts:			
Miscellaneous	7,235	-	11,389
Investment Interest	2,328,465	91,285	1,454,778
Total Receipts	2,335,700	91,285	1,466,167
Disbursements:			
Operating Expenses	6,906	-	-
Travel Expenses	3,414	33	-
Distribution of Aid	10,212,274	-	4,086,842
Total Disbursements	10,222,594	33	4,086,842
Other Financing Sources, Operating Transfers In:			
Tobacco Settlement Trust Fund	-	816,286	-
Medicaid Intergovernmental Trust Fund	-	2,601,904	-
Total Other Financing Sources	-	3,418,190	-
Excess of Receipts and Other Financing Sources Over Disbursements	(7,886,894)	3,509,442	(2,620,675)
Fund Balance June 30, 2000	\$ 33,943,856	\$ 4,219,545	\$ 22,582,751
Receipts:			
Miscellaneous	5,139	-	3,946
Intergovernmental Transfer	14,000,000	-	-
Non-Federal Indirect Reimbursement	-	-	1,200,838
Investment Income	1,108,496	150,731	727,882
Total Receipts	15,113,635	150,731	1,932,666
Disbursements:			
Operating Expenses	16,039	-	2,401,676
Travel Expenses	692	-	-
Distribution of Aid	8,507,640	1,649,830	1,238,785
Total Disbursements	8,524,371	1,649,830	3,640,461
Other Financing Sources, Operating Transfers In:			
Tobacco Settlement Trust Fund	-	1,039,828	-
Medicaid Intergovernmental Trust Fund	-	2,367,330	-
Total Other Financing Sources	-	3,407,158	-
Excess of Receipts and Other Financing Sources Over Disbursements	6,589,264	1,908,059	(1,707,795)
Fund Balance December 31, 2000	\$ 40,533,120	\$ 6,127,604	\$ 20,874,956

* Nebraska Medicaid Intergovernmental Trust Fund (formerly the Nebraska Health Care Trust Fund until July 13, 2000).

Nebraska Health and Human Services System
INTERGOVERNMENTAL TRANSFERS - CUMULATIVE
April 1, 1998 through December 31, 2000

	<u>State Share</u>	<u>Federal Share</u>	<u>Total</u>
April 1998	\$ 17,584,534	\$ 27,701,416	\$ 45,285,950
October 1998	34,906,410	55,665,489	90,571,899
December 1999	35,623,387	55,438,440	91,061,827
October 2000	<u>34,160,515</u>	<u>52,059,867</u>	<u>86,220,382</u>
 Total Increase in Medicaid due to IGT	 122,274,846	 190,865,212	 313,140,058
Less Participation Fees to Nursing Facilities	<u>(1,920,000)</u>	<u>(1,920,000)</u>	<u>(1,920,000)</u>
Total Transferred Back to the State	122,274,846	188,945,212	311,220,058
 State Share returned to General Fund	<u>(122,274,846)</u>		(122,274,846)
State Medicaid Matching Provided	<u><u>\$ -</u></u>		
 Federal Funds to State		<u><u>\$ 188,945,212</u></u>	188,945,212
 Investment Income Medicaid Intergovernmental Trust Fund			<u>6,375,897</u>
Available Funds			<u>195,321,109</u>
 Transfers to:			
Nursing Facility Conversion Cash Fund			(54,611,766)
Nebraska Health Care Cash Fund			(5,667,917)
Children's Health Insurance Cash Fund			<u>(25,050,744)</u>
			<u>(85,330,427)</u>
 Nebraska Medicaid Intergovernmental			
Trust Fund Balance, December 31, 2000			<u><u>\$ 109,990,682</u></u>

**NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
SCHEDULE OF FUNDING CHANGES TO IGT BASED ON
IMPLEMENTATION OF REVISED REGULATIONS**

The HCFA has taken action to change the upper payment limit regulations to include a separate aggregate upper limit applicable to payments made to local government owned providers. The effect of this change will be to limit the amount of the funding pool calculated for only public providers. The regulations include a transition period; during the transition the financial impact of the new regulations will be gradually phased in and become fully effective on October 1, 2008. The OIG estimated that during the transition period, in Nebraska alone, the Federal government would save \$142 million. Once the regulatory changes are fully implemented, the OIG estimated additional savings to the Federal government of \$44 million annually.

<u>State Fiscal Year</u>	<u>Reduction in Federal Funds</u>
2001	\$ 0
2002	0
2003	0
2004	7
2005	13
2006	20
2007	26
2008	33
2009	<u>43</u>
Federal Savings during transition	\$ 142
2010	44
2011	44
2012	44
2013	44
2014	44

Source: U.S. Department of Health and Human Services Office of Inspector General report on Review of Medicaid Enhanced Payments to Public Providers and the Use of Intergovernmental Transfers by the State of Nebraska (A-07-00-02076) issued February 2001.

Note: Federal funds expended due to the IGT for fiscal year 2000 were as \$55,438,440. Nursing Facilities received \$480,000 and the State deposited \$54,958,440 to the Nebraska Medicaid Intergovernmental Trust Fund. The OIG has also recommended changes to regulations restricting the use of these funds.

A map of Nebraska showing its 93 counties, each color-coded to represent one of four major regions: West (yellow), Central (blue), East (red), and South (green). The map shows the following county distribution by region:

- West (Yellow):** Dawes, Sheridan, Cherry, Keya Paha, Brown, Holt, Knox, Cedar, Dundy, Dakota, Scotts Bluff, Morrill, Grant, Hooker, Thomas, Blaine, Loup, Garfield, Wheeler, Boone, Madison, Dawson, Cuming, Butler, Washington, Douglas, Saunders, Seward, Lancaster, Cass, Otoe, Nemaha, Richardson, Gage, Pawnee, Franklin, Webster, Nuckolls, Thayer, Jefferson, Fillmore, Clay, Adams, Phelps, Kearney, Gosper, Furness, Harlan, Red Willow, Hitchcock, Dundy, Perkins, Lincoln, Keith, Arthur, McPherson, Logan, Garden, Deuel, Cheyenne, Kimball, Banner, Box Butte, Sioux.
- Central (Blue):** Grant, Hooker, Thomas, Blaine, Loup, Garfield, Wheeler, Boone, Madison, Dawson, Cuming, Butler, Washington, Douglas, Saunders, Seward, Lancaster, Cass, Otoe, Nemaha, Richardson, Gage, Pawnee, Franklin, Webster, Nuckolls, Thayer, Jefferson, Fillmore, Clay, Adams, Phelps, Kearney, Gosper, Furness, Harlan, Red Willow, Hitchcock, Dundy, Perkins, Lincoln, Keith, Arthur, McPherson, Logan, Garden, Deuel, Cheyenne, Kimball, Banner, Box Butte, Sioux.
- East (Red):** Grant, Hooker, Thomas, Blaine, Loup, Garfield, Wheeler, Boone, Madison, Dawson, Cuming, Butler, Washington, Douglas, Saunders, Seward, Lancaster, Cass, Otoe, Nemaha, Richardson, Gage, Pawnee, Franklin, Webster, Nuckolls, Thayer, Jefferson, Fillmore, Clay, Adams, Phelps, Kearney, Gosper, Furness, Harlan, Red Willow, Hitchcock, Dundy, Perkins, Lincoln, Keith, Arthur, McPherson, Logan, Garden, Deuel, Cheyenne, Kimball, Banner, Box Butte, Sioux.
- South (Green):** Grant, Hooker, Thomas, Blaine, Loup, Garfield, Wheeler, Boone, Madison, Dawson, Cuming, Butler, Washington, Douglas, Saunders, Seward, Lancaster, Cass, Otoe, Nemaha, Richardson, Gage, Pawnee, Franklin, Webster, Nuckolls, Thayer, Jefferson, Fillmore, Clay, Adams, Phelps, Kearney, Gosper, Furness, Harlan, Red Willow, Hitchcock, Dundy, Perkins, Lincoln, Keith, Arthur, McPherson, Logan, Garden, Deuel, Cheyenne, Kimball, Banner, Box Butte, Sioux.

Nebraska Health and Human Services

Nebraska Health and Human Services
Nursing Facility Conversion Grants - Rounds 1 and 2

Location	Facility	Grant Allowance
GOVERNMENT:		
Beaver City	Beaver City Manor	\$ 676,000
Beemer	Colonial Haven	104,000
Bertrand	Bertrand Nursing Home	572,000
Coleridge	Park View Haven	1,040,000
Crawford	Ponderosa Villa	884,000
Grant	Golden Ours Convalescent Home	728,000
Greeley	Greeley Care Home	728,000
Harvard	Harvard Rest Haven	932,000
Hemingford	Hemingford Community Care Cntr	416,000
Humboldt	Colonial Acres Nursing Home	728,000
Imperial	Imperial Manor Nursing Home	867,400
Kimball	Kimball County Manor	936,000
Laurel	Hillcrest Care Center	520,000
Lewellen	Garden County - Lewellen	1,100,000
Minden	Kearney County Health Svc. LTC	932,000
Oakland	Oakland Heights	1,092,000
Omaha	Douglas County Hospital	1,092,000
Plainview	Plainview Manor	780,000
Rushville	Parkview Lodge	1,100,000
Stanton	Stanton Nursing Home	1,040,000
Stuart	Parkside Manor	520,000
Trenton	El Dorado Manor	416,000
Wakefield	Wakefield Care Center	832,000
Wilber	Wilber Care Center	1,100,000
Wisner	Wisner Manor	728,000
		<u>\$ 19,863,400</u>

NOT FOR PROFIT:		
Blair	Crowell Memorial Home	\$ 936,000
Burwell	Community Memorial Health Cntr	540,800
Curtis	Sunset Haven	746,301
Hastings	Villa Grace	1,100,000
Gordon	Gordon Countryside Care	249,600
Lincoln	Tabitha Nursing & Rehab. Center	100,000
Sidney	Memorial Health Center	312,000
Sutton	Sutton Community Home	832,000
		<u>\$ 4,816,701</u>

Location	Facility	Owner	Grant Allowance
FOR PROFIT:			
Broken Bow	Sandhills Manor	Beverly HealthCare	\$ 100,000
Butte	Butte Healthcare Center	Tealwood Care Centers	520,000
Clarkson	Colonial Manor of Clarkson	Beverly HealthCare	186,956
Columbus	Columbus Manor	Beverly HealthCare	1,094,314
Cozad	Southview Manor Care Center	Beverly HealthCare	931,990
Franklin	Franklin Nursing Center	Beverly HealthCare	790,284
Fullerton	Central NE Rehab./Care Center	Beverly HealthCare	809,429
Grand Island	Lakeview Health & Rehab.	Beverly HealthCare	882,560
Grand Island	Park Place Health Care & Rehab. Cntr	Beverly HealthCare	160,619
Hartington	Hartington Nursing Center	Beverly HealthCare	882,281
Nebr. City	The Ambassador	The Ambassador Inc	720,536
Nebr. City	Nebraska City Manor	Beverly HealthCare	1,196,128
Norfolk	Norfolk Health Care & Rehab Services	Beverly HealthCare	720,000
Omaha	Hallmark Health Care & Rehab Center	Beverly HealthCare	1,196,000
Omaha	Oak Grove Rehab & Health Care Cntr	Beverly HealthCare	96,000
O'Neill	O'Neill Nursing Center	Beverly HealthCare	94,256
Plattsmouth	Plattsmouth Manor	Beverly HealthCare	96,000
Randolph	Colonial Manor	Careage Mngmnt Inc	435,718
Schuyler	Schuyler Nursing Center	Beverly HealthCare	96,000
Scottsbluff	Scottsbluff Nursing Center	Beverly HealthCare	717,600
Sidney	Sidney Nursing Center	Beverly HealthCare	813,912
Tecumseh	Belle Terrace	Belle Holdings Inc.	516,000
Tekamah	Tekamah Nursing Center	Beverly HealthCare	94,256
Tilden	Tilden Nursing Center	Beverly HealthCare	93,534
Valley	Valhaven Nursing Center	Beverly HealthCare	100,000
Wausa	Wausa Health Care Center	Beverly HealthCare	86,688
			<u>\$ 13,431,061</u>

Total Awarded Rounds 1 & 2 \$ 38,111,162

* Received additional grant funds for adult day care (\$100,000 maximum)

** Nongovernmental facilities have a 20% match requirement

**Nebraska Health and Human Services
Nursing Facility Conversion Grants - Round 3*
December 31, 2000**

Location	Facility	Owner
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GOVERNMENT:

Bayard	Chimney Rock Villa	City
Deshler	Parkview Haven Nursing Home	City
Elwood	Elwood Care Center	City
Fairmont	Fairview Manor	City
Genoa	Genoa Community Hospital/LTC	City
Mitchell	Mitchell Care Center	City
Verdigre	Alpine Village Retirement Center	City

NOT FOR PROFIT:

Alliance	Alliance Good Samaritan Village	Evangelical Lutheran Good Samaritan Society
Arapahoe	C. A. Mues Memorial Good Samaritan Ctr	Evangelical Lutheran Good Samaritan Society
Beatrice	Beatrice Good Samaritan Center	Evangelical Lutheran Good Samaritan Society
Gibbon	Gibbon Good Samaritan Center	Evangelical Lutheran Good Samaritan Society
Minden	Bethany Home	Bethany Home, Inc.
Newman Grove	Mid-Nebraska Lutheran Home	Mid-Nebraska Lutheran Home Association, Inc.
Omaha	Florence Home	Florence Home
Osceola	Osceola Good Samaritan Center	Evangelical Lutheran Good Samaritan Society
Scribner	Scribner Good Samaritan Center	Evangelical Lutheran Good Samaritan Society
Stromsberg	Midwest Covenant Home	Midwest Covenant Home, Inc.
Syracuse	Syracuse Good Samaritan Center	Evangelical Lutheran Good Samaritan Society
Valentine	Pine View Good Samaritan Center	Evangelical Lutheran Good Samaritan Society

FOR PROFIT:

Bridgeport	Heritage of Bridgeport	Heritage of Bridgeport, Inc.
Lexington	Plum Creek Care Center	Lantis Enterprises, Inc.
Loup City	Rose Lane Home	Loup City Health Care, Inc.
O'Neill	O'Neill Nursing Center	Beverly Healthcare
Oxford	Walker Post Manor	Lantis Enterprises, Inc.
Ponca	Elms Health Care Center	Elms Health Care Center, Inc.
Schuyler	Schuyler Nursing Center	Beverly Healthcare

*Round 3 is in the feasibility study stage and has not yet been awarded.

