



NEBRASKA HEALTH CARE CASH FUND  
AND RELATED FUNDS

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# **A Report on the Nebraska Health Care Cash Fund and the Related Medicaid Intergovernmental Trust Fund and the Tobacco Settlement Trust Fund**

## **Purpose**

This report provides an overview of the Nebraska Health Care Cash Fund and related funds, the Nebraska Tobacco Settlement Trust Fund and the Nebraska Medicaid Intergovernmental Transfer Trust Fund.

## **The Health Care Cash Fund**

The Nebraska Health Care Cash Fund receives funds from two sources -- the Nebraska Tobacco Settlement Trust Fund and the Nebraska Medicaid Intergovernmental Trust Fund. These funds will be described later in this report.

LB 692 passed in the 2001 Legislative Session provided the current policy framework for the use of the Nebraska Health Care Cash Fund and established the tobacco settlement and intergovernmental transfer funds as the two sources of revenue for the fund. The intent of LB 692 was to use the funds for health-related purposes.

Section 71-7606 states the purpose of the Nebraska Health Care Cash Fund:

*(1) The purpose of the Nebraska Health Care Funding Act is to provide for the use of dedicated revenue for health-care-related expenditures.*

*(2) Any funds appropriated or distributed under the act shall not be considered ongoing entitlements or obligations on the part of the State of Nebraska and shall not be used to replace existing funding for existing programs.*

*(3) No funds appropriated or distributed under the act shall be used for abortion, abortion counseling, referral for abortion, or research or activity of any kind involving the use of human fetal tissue obtained in connection with the performance of an induced abortion or involving the use of human embryonic stem cells or for the purpose of obtaining other funding for such use.*

*(4) The Department of Health and Human Services shall report annually to the Legislature and the Governor regarding the use of funds appropriated under the act and the outcomes achieved from such use.*

The state investment officer is charged with the responsibility of deciding the amounts to be transferred from each fund, equal to the amount specified in statute. Every even-numbered year, the State Investment Officer is also charged with reporting to the Legislature information on the sustainability of the fund

The Legislature establishes in statute the amount in total to be transferred into the Nebraska Health Care Cash Fund annually from the Intergovernmental Transfer Fund and the Tobacco Settlement Fund. LB 331 passed in the 2017 Session, directs the State Investment Officer to transfer first from the Medicaid Intergovernmental Trust Fund until that fund is depleted. The

amount transferred is based on statutory requirements and the appropriations set by the Legislature. In FY 2017-18 and FY 2018-19, the transfer amount is \$60,700,000.

LB 969 passed in the 2012 Session harmonized the handling of the funds in the Tobacco Settlement Fund, Medicaid Intergovernmental Fund and the Health Care Cash Fund. Prior to the passage of LB 969, the Tobacco Settlement Fund, Medicaid Intergovernmental Fund and Health Care Cash Fund were handled in different and disjointed ways; some through transfers into cash funds and others through appropriations. The different way in which funding was accessed led to confusion when discussing the funds with policymakers. With the passage of LB 969, the transfers were eliminated and all distributions are handled through appropriations from the Health Care Cash Fund.

A new source of revenue was enacted in 2015. In LB 418 cigarette tax revenue that was earmarked for the Nebraska Public Safety System was partially redirected to the Health Care Cash Fund when those funds were no longer needed for the system. The allocation to the Health Care Cash Fund is \$1,250,000. Of that amount, one million was added to the biomedical research funding and \$200,000 for local public health departments in FY 2016-17. Also the University of Nebraska Medical Center received \$50,000 in one-time funding in FY 2017-18 for public health workforce training.

## **Related Funds**

***Although the tobacco settlement and intergovernmental funds are called trust funds in statute, they are not trust funds. Trust funds are assets held in trust and their use is governed by the conditions of the trust. Neither the tobacco settlement nor the intergovernmental transfer fund is governed by the conditions of a trust. Use of the funds is strictly the prerogative of the Legislature.***

## **Nebraska Tobacco Settlement Trust Fund**

In 1998, Nebraska along with more than 40 other states and territories entered into a settlement agreement with tobacco manufacturers. The basis of the settlement was reimbursement to the states for additional Medicaid costs the states incurred treating smoking-related illnesses and diseases.

The terms and conditions of the settlement are contained in the Master Settlement Agreement. This agreement contains a schedule of payments the participating manufacturers are required to make to each of the states in perpetuity. Payments are adjusted based on an annual inflation and volume adjustment. Those payments are deposited in this Nebraska Tobacco Settlement Trust Fund. The annual revenue from the settlement is approximately \$36 to \$37 million per year.

The state must meet certain conditions of compliance contained in the Master Settlement Agreement. The Attorney General is responsible for ensuring compliance. The Department of Revenue assists with the compliance activity. ***Once the state receives the funds, there are no restrictions on the use of the funds.***

All states are required to enforce provisions of the settlement relating to Non-Participating Manufacturers (NPM). Failure to comply with this provision can result in the loss of up to the

entire MSA payment for any given year when a state has been determined to have not met the enforcement requirements.

The balance in the fund as of June 30, 2018, is \$451.9 million.

### **Nebraska Medicaid Intergovernmental Trust Fund**

Until 2005, the federal government allowed states to establish disproportionate share pools for publicly owned nursing facilities. Payments to the facilities in the pool were allowed to be reimbursed up to the aggregate amount allowed under the Medicare upper payment limit. Since Nebraska reimbursed the facilities at a rate lower than aggregate amount allowed under the upper limit, a process was established to return the excess payments to the state. The State General Fund was reimbursed in full. Each participating facility received \$10,000 to cover administrative costs and for an incentive to participate in the intergovernmental transfer process.

The excess federal funds were placed in the Nebraska Medicaid Intergovernmental Trust Fund. Since this loophole allowed states to receive more federal Medicaid funds than the states' respective match rates, the federal government phased out the process that enabled states to take advantage of this loophole. Since the loophole was closed in 2005, the only revenue source for this fund is investment earnings.

In the 2017 Session in LB 331, the Legislature directed the State Investment Officer to transfer funds to the Health Care Cash Fund first from the Medicaid Intergovernmental Trust Fund until such time as the fund is depleted. Also in LB 331, the Legislature requires the transfer of \$10 million each year from the Health Care Cash Fund to the General Fund in FY 2017-18 and FY 2018-19. This was done to cover the revenue shortfall and assist in balancing the budget.

The balance in the fund as of June 30, 2018, is \$25.9 million.

### **Sustainability Projections**

The state investment officer is required to report to the Legislature on or before October 1 of every even-numbered year on the sustainability of such transfers. The latest report by the Investment Council is attached to this report or can be accessed on the Clerk of the Legislature's website at:

[http://www.nebraskalegislature.gov/FloorDocs/104/PDF/Agencies/Investment\\_Council/139\\_20160915-171323.pdf](http://www.nebraskalegislature.gov/FloorDocs/104/PDF/Agencies/Investment_Council/139_20160915-171323.pdf)

In 2016, Investment Council report to the Legislature showed the sustainability of the fund to be at-risk at the current expenditure levels. LB 969 passed in the 2012 Session amended the transfers into the Health Care Cash Fund, decreasing the amounts by five percent each year starting in FY 14 through FY 16 then remaining at that level, thereafter. The bill also stated Legislative intent that no new programs be funded through the Health Care Cash Fund until all programs with an appropriation in FY 13 are restored to those funding levels. The transfer amount was not decreased and the statute was amended to remove the language.

The Legislature will need to establish priorities for the fund and reduce the total amount of spending from the Health Care Cash Fund if it is to address the sustainability issue provided by the Investment Council.

## Programs Funded Through the Health Care Cash Fund

The programs funded by the Health Care Cash Fund by budget programs in the FY 2017-18 and FY 2018-19 are shown below:

	Activity	FY 18	FY 19
1	Legislative Council	75,000	75,000
2	Attorney General Tobacco Settlement Enforcement	595,807	595,807
3	Revenue Auditor/Tobacco Settlement Enforcement	316,482	316,482
4	Gamblers Assistance	250,000	250,000
5	Tobacco Prevention and Control	3,070,000	2,570,000
6	Respite Care Regions Staff and Operating	1,214,643	1,214,643
7	EMS Technicians Regulation	13,688	13,688
8	Parkinson's Disease Registry	26,000	26,000
9	Behavioral Health Rate Increase	10,100,000	10,100,000
10	MH/SA Regions Service Capacity	7,500,000	7,500,000
11	Emergency Protective Service Funding	1,500,000	1,500,000
12	Public Health	5,705,000	5,705,000
13	Minority Health	3,095,000	3,095,000
14	FQHC patient counts	750,000	750,000
15	Children's Health Insurance Aid	6,835,700	6,835,700
16	Medicaid Smoking Cessation	450,000	450,000
17	Developmental Disability Aid	5,000,000	5,000,000
18	Stem Cell Research	450,000	450,000
19	Biomedical Research	15,000,000	15,000,000
20	Poison Control Center	200,000	200,000
21	Cannabidiol Study	250,000	250,000
22	LB 439 Inspection Staff (two years from the HCCF)		23,204
23	Continue the ADRCs (two years from HCCF)		935,094
	Total	62,397,320	62,855,618
	Current Transfer Amount (71-7611)	61,200,000	61,600,000
	Current Transfer Amount (77-2602)	1,250,000	1,250,000

- 1. Legislative Council:** This funding is provided for ongoing health-related research and public policy development conducted by the Health and Human Services Committee. Such funds may be used for, but shall not be limited to, hiring temporary legal research assistance, consulting and research contracts. (Agency 3, Program 122) \$75,000
- 2. Attorney General:** The Attorney General is responsible for enforcement of the provision of the Master Settlement Agreement. These funds are used to ensure compliance. (Agency 12, Program 507) \$595,807

3. **Revenue Auditor:** Similar to the funding provided to the Attorney General, the revenue auditor ensures compliance with the Master Settlement Agreement. (Agency 16, Program 102) \$316,482
4. **Gamblers Assistance:** LB 332 (2005) provided \$250,000 of funding beginning in 2005-06 for the compulsive gamblers assistance program. The intent was to use another funding source to continue this level of support. A constitutional amendment to use lottery funds for this purpose was defeated. The Legislature continued to fund the program with the Health Care Cash Fund. The program was moved to the Department of Revenue in 2013. (Agency 16, Program 164) \$250,000
5. **Tobacco Prevention and Control:** The funding is used for a comprehensive statewide tobacco-related public health program which includes, but is not limited to (1) community programs to reduce tobacco use, (2) chronic disease programs, (3) school programs, (4) statewide programs, (5) enforcement, (6) counter marketing, (7) cessation programs, (8) surveillance and evaluation and (9) administration. (Agency 25, Program 30) \$2,756,000
6. **Respite Care:** Aid to the six regional services area is provided for coordination of respite services and direct funding of services as well. Of the \$1,214,643 in total funds, \$404,643 is provided to the regional service areas for personnel and \$810,000 for aid. (Agency 25, Programs 033 and 347) \$1,214,643
7. **EMS Technicians:** LB 1033 passed in 2002, authorized emergency medical technicians-intermediate, emergency medical technicians and-paramedics to perform out-of-hospital procedures in a health clinic or hospital when supervised by a registered nurse, physician or physician assistant. An additional part-time investigator was funded from the Health Care Cash Fund to handle additional investigations. (Agency 25, Program 33) \$13,688
8. **Parkinson's Disease Registry:** The registry is the only statewide Parkinson's registry in the country. Originally funded with general funds, state law was changed in 2001 prohibiting general fund support and authorizing cash funds to pay for the registry. A grant from the Michael J. Fox Foundation and another source covered the cost of operations until it was exhausted. In 2009, an appropriation from the Health Care Cash Fund was provided to cover the operating costs. (Agency 25, Program 33) \$26,000
9. **Behavioral Health Provider Rates:** Behavioral health provider rates were increased in Medicaid, the regions, juvenile justice and child welfare in FY 2002 and FY 2003 using the Health Care Cash Fund. Since that time, no additional increase has been provided from the HCCF. The original amounts are part of the base funding for each of these programs. (Agency 25, Programs 38, 348, and 354) \$10,100,000
10. **Mental Health and Substance Abuse Treatment Service Capacity:** This funding was provided to increase service capacity by the mental health and substance abuse regions and in the juvenile justice area. One million a year is earmarked for juvenile justice and \$6.5 million for the regions. It is now part of the base for both programs. (Agency 25, Programs 38 and 250) \$7,500,000
11. **Emergency Protective Custody:** Funding is provided to the mental health regions for emergency protective custody services. It is part of the base funding for the regions. (Agency 25, Program 38) \$1,500,000

- 12 **Public Health:** Funding is distributed on a formula basis to the 18 local public health departments to provide core public health functions include assessment and policy development, prevention of illness and disease, and assurance of services including public health nursing, health education, and environmental health services. The distribution formula is as follows:
- a) \$100,000 for three-county departments with a total population of 30,000 to 50,000
  - b) 125,000 to single-county departments or multiple-county departments with three or more counties departments with a total population of more than 50,000 up to 100,000
  - c) \$150,000 to departments with a total population of more than 100,000.
  - d) Any funding not distributed under the formula shall be equally distributed among all departments receiving funding under the above formula distribution.

Funding cannot be used to replace existing county funding.

There is \$100,000 for staff and operating expenses.

The appropriation increased in FY 2016-17 by \$200,000 for state aid from the cigarette tax revenue. (Agency 25, Program 33 and 502) \$5,705,000

- 13 **Minority Health:** Minority health funding is for initiatives that target, but is not limited to, infant mortality, cardiovascular disease, obesity, diabetes and asthma. It is distributed in the following manner:
- a) \$1,526,000 is for counties in the first and third congressional districts with a minority population equal to or exceeding 5%
  - b) \$1,349,000 is divided equally among federally qualified health centers (FQHCs in the Second Congressional District.
  - c) \$220,000 is also provided for minority health satellite offices in the second and third congressional districts.

(Agency 25, Program 33 and 502) \$3,095,000

- 14 **Federally Qualified Health Centers:** This funding is for the seven community health centers funded through Federal Program 330, Public Law 104-299, the federal Health Centers Consolidation Act of 1996. Each center is to receive an amount to be distributed proportionally based on the previous fiscal year's number of uninsured clients as reported on the Uniform Data System Report provided to the United States Department of Health and Human Services Bureau of Primary Health Care. (Agency 258, Program 502) \$750,000

- 15 **Children's Health Insurance Program (CHIP):** The state match for CHIP was initially funded with \$25 million from the Health Care Cash Fund. As the initial \$25 million was exhausted, the Legislature in FY 04 provided \$1.3 million from the HCCF to bring the total to \$5 million. In subsequent years the appropriation was increased to \$6,835,700 and is part of the base. Increases in the appropriations above this amount in the state's share of the program are picked up by the General Fund. (Agency 25, Program 344) \$6,835,700

- 16 **Medicaid Smoking Cessation:** LB 959 passed in 2008, appropriated funds to the Medicaid Program for a state plan amendment to include smoking cessation as a

Medicaid-covered service. Although the bill saved general fund dollars beginning in 2010, the initial funding needed to provide the services was paid from the Health Care Cash Fund and is now part of the base. (Agency 25, Program 348) \$450,000

- 17 **Developmentally Disabled Services:** LB 692, passed in 2001, added \$3 million in 2001-02 and \$5 million in 2002-03 to develop services for persons on the waiting list, who had been waiting the longest for services. The \$5 million is part of the on-going base for the program. (Agency 25, Program 424) \$5,000,000
- 18 **Stem Cell Research:** LB 606 passed in 2008, created the Stem Cell Research Act. Grants are awarded to Nebraska institutions or researchers for the purpose of conducting non-embryonic stem cell research. Originally the funding was \$500,000. This was reduced in 2010 to \$450,000. (Agency 25, Program 621) \$450,000
- 19 **Biomedical Research:** The University of Nebraska Medical Center, Creighton Medical Center, the University of Nebraska and Boys Town Research Hospital are eligible for this funding. Twenty-four percent of the appropriated funds shall be distributed annually to the University of Nebraska, sixteen percent to Creighton and Boys Town combined. Sixty percent is distributed to the eligible institutions based on the percentage of all funds expended by such institutions from the National Institutes of Health of the United States Department of Health and Human Services in the prior year as contained in a certified report of such excluding any such funds expended for research involving the use of human fetal tissue obtained in connection with the performance of an induced abortion or involving the use of human embryonic stem cells. At least \$700,000 of such appropriated funds shall be used annually for research to improve racial and ethnic minority health. In 2016-17, the amount increased by \$1 million from the cigarette tax. (Agency 25, Program 623) \$15,000,000
- 20 **Poison Control Center:** The funding from the Health Care Cash Fund provides \$200,000 for the Poison Control Center at the University of Nebraska Medical Center. Until 2003, Children's Hospital covered the costs of operating the center. After they decided they could no longer support it, the operations were moved to UNMC. Initially, funding was provided from federal bioterrorism grants, Creighton Medical Center and UNMC. When the bioterrorism funding decreased and Creighton withdrew support, attempts were made to secure funding from other hospitals and insurance companies. However, the other entities declined to contribute. UNMC requested funding from the state so the poison control center could continue to operate. The services are provided to individuals, medical professionals and hospitals free of charge and are documented to save health care dollars through avoidance of emergency room visits and getting the appropriate treatment to patients who are poisoned. (Agency 51, Program 781) \$200,000
- 21 **Medical Cannabidiol Pilot Study:** LB 390 passed in the 2016 Session requires the University of Nebraska Medical Center to study the efficacy of cannabidiol to treat patients with intractable seizures and treatment resistant seizures. The funding is time limited; covering FY 2016 through FY 2019. (Agency 51, Program 751) \$250,000
- 22 **Nursing Services Surveyor:** LB 439 made changes to the regulation of nursing facilities which require an additional surveyor. This funding is for two years only. The



Health Care Cash Fund costs be paid from State General Funds beginning in FY 2021. (Agency 25, Program 033) \$23,204 in FY 2019 and \$29,085 in FY 2020

- 23 **Continuation of the Aging and Disability Resource Centers (ADRC):** LB 793 continued the ADRC pilots at the current level of funding and made the project permanent. The funding from the Health Care Cash Fund is for two years only although the project is permanent. In FY 2021, the costs will be paid for the State General Fund. (Agency 25, Programs 33 and 571) \$613,912 in FY 2019 and \$631,912 in FY 2020.