

HB230 INTRODUCED



1 HB230
2 4UXPJ3R-1
3 By Representatives Sorrells, Reynolds
4 RFD: Ways and Means General Fund
5 First Read: 14-Jan-26



SYNOPSIS:

Existing law provides that the current supplemental privilege assessment, secondary supplemental assessment, and surcharge that are imposed on each bed in a nursing facility expire on August 31, 2028.

This bill would remove the sunset clause and make the current supplemental privilege assessment, secondary supplemental privilege assessment, and surcharge permanent.

A BILL
TO BE ENTITLED
AN ACT

Relating to the privilege assessment for nursing homes; to amend Section 40-26B-21, as last amended by Act 2025-299, 2025 Regular Session, Code of Alabama 1975; to make the supplemental privilege assessment, the secondary supplemental privilege assessment, and the surcharge permanent by removing the August 31, 2028, sunset date each place it appears; to amend Section 40-26B-26, Code of Alabama 1975, to make Medicaid reimbursement of nursing homes to be in accordance with the reimbursement methodology contained in Chapter



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560-X-22 of the Alabama Administrative Code in effect as of May 1, 2026.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Section 40-26B-21, as last amended by Act 2025-299, 2025 Regular Session, Code of Alabama 1975, is amended to read as follows:

"§40-26B-21

To provide further for the availability of indigent health care, the operation of the Medicaid program, and the maintenance and expansion of medical services:

(a) There is levied and shall be collected a privilege assessment on the business activities of every nursing facility in the State of Alabama. The privilege assessment imposed is in addition to all other taxes and assessments, and shall be at the annual rate of one thousand eight hundred ninety-nine dollars and ninety-six cents (\$1,899.96) for each bed in the nursing facility. Beginning September 1, 2020, the privilege assessment shall be increased from one thousand eight hundred ninety-nine dollars and ninety-six cents (\$1,899.96) for each bed in the nursing facility, by an addition to the privilege assessment equal to three hundred twenty-seven dollars and forty-eight cents (\$327.48) per annum. The addition to the privilege assessment shall be paid in equal monthly installments and shall merge into and be a part of the privilege assessment described in this subsection. The payment to nursing facilities of the determined allowable costs in respect to the addition to the privilege assessment described in this subsection shall be included in Medicaid per



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diem rates for services provided commencing as of October 1, 2020, and shall continue to be included in such Medicaid per diem rates in the same manner that reimbursement for the privilege assessment is included in Medicaid per diem rates. For each Medicaid nursing facility, in determining the October 1, 2020 adjustment to the Medicaid per diem for the allowable costs associated with the addition to the privilege assessment, the Medicaid Agency shall divide the total addition to the privilege assessment by the total of all incurred resident days, ~~+~~ regardless of payor class, ~~+~~ reported by each nursing facility in its Medicaid cost report filed for the period then ~~ending~~ ended June 30, 2019. Notwithstanding the foregoing, in the event that the June 30, 2019 cost report is for a period of less than one year, the resident days reported shall be annualized. After the October 1, 2020 adjustment under this subsection, the addition to the privilege assessment shall be fully merged into the privilege assessment and reimbursed in accordance with the method set forth for calculating the reimbursement for the privilege assessment. In the event that any portion of the privilege assessment paid by a facility cannot be included in the computation of Medicaid per diem rate because of the effect of any cost ceiling provision of the reimbursement methodology, the cost ceiling shall be adjusted to ensure continued treatment of the total privilege assessments as an allowable cost.

(b) (1) ~~For the period~~ Beginning September 1, 2010, ~~through August 31, 2028,~~ there is levied and shall be collected a supplemental privilege assessment on the business



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activities of every nursing facility in the State of Alabama. The supplemental privilege assessment imposed is in addition to all other taxes and assessments, including, without limitation, the privilege taxes provided for under this article, and from September 1, 2010, through August 31, 2011, shall be at the annual rate of one thousand sixty-three dollars and eight cents (\$1,063.08) for each bed in the nursing facility, and one thousand six hundred three dollars and eight cents (\$1,603.08) for the ~~period~~periods beginning of September 1, 2011, through ~~August 31, 2028, except that~~ beginning May 19, 2012. Beginning with the monthly payment for the supplemental privilege assessment due beginning May 20, 2012, ~~and ending August 31, 2028,~~ there shall be a monthly surcharge due with each monthly payment of the supplemental privilege assessment. The initial monthly surcharge shall be one hundred thirty-one dollars and twenty-five cents (\$131.25) per licensed bed. Beginning with the monthly payment of the supplemental privilege assessment due on September 20, 2012, the monthly surcharge shall be reduced to forty-three dollars and seventy-five cents (\$43.75) per bed, per month.

(2) ~~For the period~~Beginning October 1, 2015, ~~through~~ ~~August 31, 2028,~~ there shall be collected a secondary supplemental privilege assessment on the business activities of every nursing facility in the State of Alabama. The secondary supplemental privilege assessment imposed in this subdivision is contingent upon the minimum appropriation provided in Section 2 of Act 2015-536, and is in addition to all other taxes and assessments, including, without



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113 limitation, the privilege taxes provided for under this
114 article, and beginning October 1, 2015, shall be at the annual
115 rate of four hundred one dollars and twenty-eight cents
116 (\$401.28) for each bed in the nursing facility, payable
117 monthly.

118 (c) The total privilege assessment (and the addition to
119 the privilege assessment), supplemental privilege assessment,
120 secondary privilege assessment, (privilege assessments) and
121 surcharge paid by a nursing facility pursuant to this article
122 shall be considered an allowable cost, as that term is defined
123 in the reimbursement methodology for nursing facilities
124 contained in Title 560 of the Alabama Administrative Code,
125 and, to the extent permitted under applicable federal law
126 governing the Alabama Medicaid nursing home program, the total
127 privilege assessments paid must be included in the computation
128 of the Medicaid per diem rate determined under the
129 reimbursement methodology for nursing facilities contained in
130 Title 560 of the Alabama Administrative Code. The payment to
131 nursing facilities of the determined allowable costs in
132 respect to the supplemental privilege assessment described in
133 subsection (b) shall be included in Medicaid per diem rates
134 for services provided commencing as of January 1, 2011, and
135 shall continue to be included in such Medicaid per diem rates
136 for a period equal to the number of months during which the
137 supplemental assessments have been in effect. For each
138 Medicaid nursing facility, in determining the adjustment to
139 the Medicaid per diem for the allowable costs associated with
140 the supplemental assessment, the Medicaid Agency shall divide



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the total supplemental assessment due under subsection (b) by the total of all incurred resident days, ~~+~~ regardless of payor class, ~~+~~ reported by such nursing facility in its Medicaid cost report filed for the period then ~~ending~~ ended June 30, 2010. To accommodate the increase in the supplemental assessment and the surcharge described in subsection (b), the agency shall use the mechanism described in this subsection to adjust each nursing facility's rate effective as of October 1, 2011, regarding the privilege assessment, and May 1, 2012, regarding the surcharge. Notwithstanding the foregoing, in the event that such cost report shall be for a period less than one year, the resident days reported shall be annualized. In the event that any portion of the privilege assessment paid by a facility cannot be included in the computation of the Medicaid per diem rate because of the effect of any cost ceiling provision of the reimbursement methodology, the cost ceiling must be adjusted to ensure continued treatment of the total privilege assessments as an allowable cost.

(d) The privilege assessment rate or the supplemental privilege assessment rate or the surcharge rate shall be reduced by the department upon the advice of the Medicaid Agency if, but only if, such reduction is required to ensure that the total revenues to the State of Alabama produced by this privilege assessment or, if the supplemental privilege assessment and surcharge are in effect, the aggregate of the supplemental privilege assessment and surcharge and the privilege assessment, during any state fiscal year are less than or equal to six percent of the total revenues received by



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the nursing facilities in the state subject to the assessment during that same fiscal year. In the event that the supplemental privilege assessment or surcharge are reduced as provided in the preceding sentence, then for each Medicaid nursing facility a corresponding reduction shall be made to the Medicaid per diem adjustment described in subsection (c) to ensure that only the amount of supplemental privilege assessment or surcharge actually paid is used in computing that Medicaid nursing facility's allowable costs.

(e) The Medicaid nursing facility program shall continue to be administered directly by the Medicaid Agency during the period in which the provider assessment provided by this section is levied and collected."

Section 2. Section 40-26B-26, Code of Alabama 1975, is amended to read as follows:

"§40-26B-26

(a) No revenues resulting from the privilege assessment established by this article and applied to increases in covered services or reimbursement levels or other enhancements of the Medicaid program shall be subject to reduction or elimination while the privilege assessment is in effect.

(b) Every nursing facility participating in the Medicaid program in the State of Alabama shall be reimbursed according to the reimbursement methodology contained in Chapter 560-X-22 of the Alabama Administrative Code, as it is in effect as of May 1, 2026, which methodology is incorporated by reference herein, except that the following shall apply:

(1) The ceiling for the operating cost center described



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in Rule 560-X-22-.06(2)(a) of the Alabama Administrative Code shall be computed at the median plus five percent.

(2) The ceiling for the direct patient care cost center described in Rule 560-X-22-.06(2)(b) of the Alabama Administrative Code shall be computed at the median plus 10 percent, and the provider's actual allowable reported cost per patient day plus 11 percent, or the established ceiling plus 11 percent, whichever is less, will be used for each provider's rate computation.

(3) The Medicaid Inflation Index described in Rule 560-X-22-.07 of the Alabama Administrative Code shall be computed without regard to the trend factor variance described in Rule 560-X-22-.07(4) of the Alabama Administrative Code.

(4) In calculating the ceiling for the operating cost center, the direct patient care cost center or the indirect patient care cost center, any increase in that ceiling over such ceiling set in the year next preceding, shall not exceed an amount equal to the product of such ceiling for the previous year times the sum of the Medicaid Inflation Index, described in Rule 560-X-22-.07 of the Alabama Administrative Code, plus four percent.

(5) In determining the reimbursement in any fiscal year to a nursing facility for certain specialized medical equipment as described in Rule 560-X-22-.14(19) of the Alabama Administrative Code, there shall be added to the daily Medicaid per diem rate computed for that fiscal year, without regard to the cost of such specialized medical equipment, an amount equal to the actual cost of such specialized medical



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equipment utilized for Medicaid residents during the fiscal year next preceding and divided by the actual number of Medicaid patient days incurred during that preceding fiscal year. For the purpose of this subdivision, the terms "Medicaid patient days," ~~"~~ "Medicaid per diem rate," ~~"~~ and "fiscal year" shall have the meanings assigned to them in Chapter 560-X-22 of the Alabama Administrative Code.

(6) For the period that the federal financial participation under Title XIX of the Social Security Act for certain intergovernmental transfers is available to the Alabama Medicaid program, the commissioner of the agency may pay an enhancement, not to exceed the upper limits for Medicare nursing facility payments, to rural hospital connected nursing facilities under governmental authority or control. Notwithstanding the foregoing, the enhancement shall not be limited by the provisions of Chapter 560-X-22 of the Alabama Administrative Code.

(7) Notwithstanding subdivision (3), from October 1, 2011, through September 30, 2014, in applying the inflation factor, zero percent shall be used to compute overall rates.

(8) Beginning with the setting of Medicaid nursing facility rates based on the cost reporting period ~~ending~~ended June 30, 2020, the current asset value, as described in Rule 560-X-22-.14(11) of the Alabama Administrative Code, for each nursing facility, after applying the July 1, 2020, rebasing as provided under Rule 560-X-22-.14(11) of the Alabama Administrative Code, used to calculate nursing facility rates, shall be recalculated by adding to each respective nursing



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facility's current asset value an amount equal to the product derived by multiplying the June 30, 2020, rebasing as provided under Rule 560-X-22-.14(11) of the Alabama Administrative Code by 41.03 percent~~%~~. The current asset value as adjusted herein, shall be rebased each subsequent year in accordance with Rule 560-X-22.14 of the Alabama Administrative Code, and applied to calculate Medicaid nursing facility rates each subsequent cost reporting year. Notwithstanding anything to the contrary in the foregoing, for the purposes of applying the recalculated current asset value to calculate a nursing facility's Medicaid rate for the cost reporting year beginning July 1, 2020, any resulting rate increase shall be effective for services provided on or after October 1, 2020. No nursing facility Medicaid rate increase for the recalculation of current asset value described in this subdivision shall be effective for services provided prior to October 1, 2020.

(9) For purposes of revising or adjusting the ceiling under Rule 560-X-22-.06(3) of the Alabama Administrative Code, once the ceiling has been established for a fiscal year, it shall be final and not subject to revision or adjustment during that year, except as provided in this subdivision. At the discretion of the agency, the ceiling may be revised or adjusted upon either the discovery of a material error or upon a determination by the commissioner that it is necessary to increase one or more of the ceilings in the event nursing facilities are unable to be reimbursed for increases in allowable costs that were required to be expended by nursing facilities to meet a nationwide or statewide public health



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emergency or because of a new federal or state law or regulation or a statewide uncontrollable catastrophic event affecting a majority of nursing facilities, and the resulting increase in allowable costs would not be reimbursed due to the annual ceiling increase limitation set forth in Rule 560-X-22-.06(2) of the Alabama Administrative Code. Because the ceiling rate is based on information provided in the cost reports, it is to the benefit of each provider to ensure that the provider's information is correct and accurate. If obvious errors are detected during the desk audit process, providers shall be given an opportunity to submit corrected data to the agency.

(c) Payments by the Medicaid program to each nursing facility for nursing home services shall be sufficient to cover the costs determined by cost reporting principles incurred by each such nursing facility in providing care in an economical and efficient manner and that is adequate to permit the provision of care and services necessary to attain or maintain the highest practicable, physical, mental, and psychosocial well-being of each resident eligible for Alabama Medicaid nursing home benefits in conformity with applicable state and federal laws, rules, and regulations and quality and safety standards.

(d) Notwithstanding subsection (b), Medicaid shall be empowered to create a special reimbursement model to accommodate enhanced reimbursed care provided in dedicated ventilator units in nursing facilities that meet special physical plant requirements such as dedicated emergency power



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generation, through-the-wall medical gases and suction, 24-hour per day staffing with trained licensed respiratory therapists, and medical direction through contract with or employment of an Alabama licensed physician who is a board certified pulmonologist.

(e)(1) Notwithstanding subsection (b), the Alabama Medicaid Agency may create a quality incentive program for nursing facilities that meet certain quality measures during the scoring year. For the purpose of this subsection, the scoring year for any year is the cost reporting year beginning July 1 and ending June 30. The first scoring period shall be July 1, 2020, through June 30, 2021. The quality incentive shall be paid to nursing facilities in a lump sum on or before February 1, following the scoring period ~~ending~~ the immediately prior June 30. For each scoring year, the Alabama Medicaid Agency shall establish a quality incentive fund of not less than five-million dollars (\$5,000,000), from which quality incentive awards will be awarded and paid to those nursing facilities qualifying for a quality incentive award. Quality incentive scoring for each scoring period shall be determined from certain measures selected by the Alabama Medicaid Agency from both of the following:

a. Five of the MDS Quality Measures compiled by the Centers for Medicare and Medicaid Services (CMS), Department of Health and Human Services.

b. Three of customer satisfaction survey categories that are independently gathered and prepared by NRC Health, or another nationally recognized satisfaction survey company with



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337 experience in the long-term care field.

338 (2) The Alabama Medicaid Agency shall determine the
339 manner that scoring points are awarded, provided that to be
340 eligible to earn points for any category, a nursing facility
341 must do either of the following:

342 a. Show improvement in that category during the current
343 scoring period over the most recent prior scoring period.

344 b. Rank for that category at or above the established
345 national average."

346 Section 3. This act shall become effective on June 1,
347 2026.