

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



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4 SYNOPSIS:

5 Existing law provides that the current
6 supplemental privilege assessment, secondary
7 supplemental assessment, and surcharge that are imposed
8 on each bed in a nursing facility expire on August 31,
9 2028.

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

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16 A BILL

17 TO BE ENTITLED

18 AN ACT

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20 Relating to the privilege assessment for nursing homes;
21 to amend Section 40-26B-21, as last amended by Act 2025-299,
22 2025 Regular Session, Code of Alabama 1975; to make the
23 supplemental privilege assessment, the secondary supplemental
24 privilege assessment, and the surcharge permanent by removing
25 the August 31, 2028, sunset date each place it appears; to
26 amend Section 40-26B-26, Code of Alabama 1975, to make
27 Medicaid reimbursement of nursing homes to be in accordance
28 with the reimbursement methodology contained in Chapter

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29 560-X-22 of the Alabama Administrative Code in effect as of
30 May 1, 2026.

31 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

32 Section 1. Section 40-26B-21, as last amended by Act
33 2025-299, 2025 Regular Session, Code of Alabama 1975, is
34 amended to read as follows:

35 "§40-26B-21

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

39 (a) There is levied and shall be collected a privilege
40 assessment on the business activities of every nursing
41 facility in the State of Alabama. The privilege assessment
42 imposed is in addition to all other taxes and assessments, and
43 shall be at the annual rate of one thousand eight hundred
44 ninety-nine dollars and ninety-six cents (\$1,899.96) for each
45 bed in the nursing facility. Beginning September 1, 2020, the
46 privilege assessment shall be increased from one thousand
47 eight hundred ninety-nine dollars and ninety-six cents
48 (\$1,899.96) for each bed in the nursing facility, by an
49 addition to the privilege assessment equal to three hundred
50 twenty-seven dollars and forty-eight cents (\$327.48) per
51 annum. The addition to the privilege assessment shall be paid
52 in equal monthly installments and shall merge into and be a
53 part of the privilege assessment described in this subsection.
54 The payment to nursing facilities of the determined allowable
55 costs in respect to the addition to the privilege assessment
56 described in this subsection shall be included in Medicaid per



57 diem rates for services provided commencing as of October 1,
58 2020, and shall continue to be included in such Medicaid per
59 diem rates in the same manner that reimbursement for the
60 privilege assessment is included in Medicaid per diem rates.
61 For each Medicaid nursing facility, in determining the October
62 1, 2020 adjustment to the Medicaid per diem for the allowable
63 costs associated with the addition to the privilege
64 assessment, the Medicaid Agency shall divide the total
65 addition to the privilege assessment by the total of all
66 incurred resident days, ~~regardless of payor class~~ reported
67 by each nursing facility in its Medicaid cost report filed for
68 the period then ~~ending~~ended June 30, 2019. Notwithstanding the
69 foregoing, in the event that the June 30, 2019 cost report is
70 for a period of less than one year, the resident days reported
71 shall be annualized. After the October 1, 2020 adjustment
72 under this subsection, the addition to the privilege
73 assessment shall be fully merged into the privilege assessment
74 and reimbursed in accordance with the method set forth for
75 calculating the reimbursement for the privilege assessment. In
76 the event that any portion of the privilege assessment paid by
77 a facility cannot be included in the computation of Medicaid
78 per diem rate because of the effect of any cost ceiling
79 provision of the reimbursement methodology, the cost ceiling
80 shall be adjusted to ensure continued treatment of the total
81 privilege assessments as an allowable cost.

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



85 activities of every nursing facility in the State of Alabama.
86 The supplemental privilege assessment imposed is in addition
87 to all other taxes and assessments, including, without
88 limitation, the privilege taxes provided for under this
89 article, and from September 1, 2010, through August 31, 2011,
90 shall be at the annual rate of one thousand sixty-three
91 dollars and eight cents (\$1,063.08) for each bed in the
92 nursing facility, and one thousand six hundred three dollars
93 and eight cents (\$1,603.08) for the ~~period~~periods beginning ~~of~~
94 September 1, 2011, through ~~August 31, 2028, except that~~
95 ~~beginning~~May 19, 2012. Beginning with the monthly payment for
96 the supplemental privilege assessment due beginning May 20,
97 2012, ~~and ending August 31, 2028,~~ there shall be a monthly
98 surcharge due with each monthly payment of the supplemental
99 privilege assessment. The initial monthly surcharge shall be
100 one hundred thirty-one dollars and twenty-five cents (\$131.25)
101 per licensed bed. Beginning with the monthly payment of the
102 supplemental privilege assessment due on September 20, 2012,
103 the monthly surcharge shall be reduced to forty-three dollars
104 and seventy-five cents (\$43.75) per bed, per month.

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



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



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

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



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

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

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

184 "§40-26B-26

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

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

196 (1) The ceiling for the operating cost center described



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

199 (2) The ceiling for the direct patient care cost center
200 described in Rule 560-X-22-.06(2)(b) of the Alabama
201 Administrative Code shall be computed at the median plus 10
202 percent, and the provider's actual allowable reported cost per
203 patient day plus 11 percent, or the established ceiling plus
204 11 percent, whichever is less, will be used for each
205 provider's rate computation.

206 (3) The Medicaid Inflation Index described in Rule
207 560-X-22-.07 of the Alabama Administrative Code shall be
208 computed without regard to the trend factor variance described
209 in Rule 560-X-22-.07(4) of the Alabama Administrative Code.

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

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



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

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

242 (7) Notwithstanding subdivision (3), from October 1,
243 2011, through September 30, 2014, in applying the inflation
244 factor, zero percent shall be used to compute overall rates.

245 (8) Beginning with the setting of Medicaid nursing
246 facility rates based on the cost reporting period ending~~ended~~
247 June 30, 2020, the current asset value, as described in Rule
248 560-X-22-.14(11) of the Alabama Administrative Code, for each
249 nursing facility, after applying the July 1, 2020, rebasing as
250 provided under Rule 560-X-22-.14(11) of the Alabama
251 Administrative Code, used to calculate nursing facility rates,
252 shall be recalculated by adding to each respective nursing



253 facility's current asset value an amount equal to the product
254 derived by multiplying the June 30, 2020, rebasing as provided
255 under Rule 560-X-22-.14(11) of the Alabama Administrative Code
256 by 41.03 percent⁸. The current asset value as adjusted herein,
257 shall be rebased each subsequent year in accordance with Rule
258 560-X-22.14 of the Alabama Administrative Code, and applied to
259 calculate Medicaid nursing facility rates each subsequent cost
260 reporting year. Notwithstanding anything to the contrary in
261 the foregoing, for the purposes of applying the recalculated
262 current asset value to calculate a nursing facility's Medicaid
263 rate for the cost reporting year beginning July 1, 2020, any
264 resulting rate increase shall be effective for services
265 provided on or after October 1, 2020. No nursing facility
266 Medicaid rate increase for the recalculation of current asset
267 value described in this subdivision shall be effective for
268 services provided prior to October 1, 2020.

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



281 emergency or because of a new federal or state law or
282 regulation or a statewide uncontrollable catastrophic event
283 affecting a majority of nursing facilities, and the resulting
284 increase in allowable costs would not be reimbursed due to the
285 annual ceiling increase limitation set forth in Rule
286 560-X-22-.06(2) of the Alabama Administrative Code. Because
287 the ceiling rate is based on information provided in the cost
288 reports, it is to the benefit of each provider to ensure that
289 the provider's information is correct and accurate. If obvious
290 errors are detected during the desk audit process, providers
291 shall be given an opportunity to submit corrected data to the
292 agency.

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

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



309 generation, through-the-wall medical gases and suction,
310 24-hour per day staffing with trained licensed respiratory
311 therapists, and medical direction through contract with or
312 employment of an Alabama licensed physician who is a board
313 certified pulmonologist.

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

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

334 b. Three of customer satisfaction survey categories
335 that are independently gathered and prepared by NRC Health, or
336 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.