

SB143 ENROLLED



1 SB143
2 2JVXESS-2
3 By Senator Albritton
4 RFD: Finance and Taxation General Fund
5 First Read: 14-Jan-26



SB143 Enrolled

1 Enrolled, An Act,

2

3

4 Relating to the privilege assessment for nursing homes;

5 to amend Section 40-26B-21, as last amended by Act 2025-299,

6 2025 Regular Session, Code of Alabama 1975; to make the

7 supplemental privilege assessment, the secondary supplemental

8 privilege assessment, and the surcharge permanent by removing

9 the August 31, 2028, sunset date each place it appears; to

10 amend Section 40-26B-26, Code of Alabama 1975, to make

11 Medicaid reimbursement of nursing homes to be in accordance

12 with the reimbursement methodology contained in Chapter

13 560-X-22 of the Alabama Administrative Code in effect as of

14 May 1, 2026.

15 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

16 Section 1. Section 40-26B-21, as last amended by Act

17 2025-299, 2025 Regular Session, Code of Alabama 1975, is

18 amended to read as follows:

19 "§40-26B-21

20 To provide further for the availability of indigent

21 health care, the operation of the Medicaid program, and the

22 maintenance and expansion of medical services:

23 (a) There is levied and shall be collected a privilege

24 assessment on the business activities of every nursing

25 facility in the State of Alabama. The privilege assessment

26 imposed is in addition to all other taxes and assessments, and

27 shall be at the annual rate of one thousand eight hundred

28 ninety-nine dollars and ninety-six cents (\$1,899.96) for each



SB143 Enrolled

29 bed in the nursing facility. Beginning September 1, 2020, the
30 privilege assessment shall be increased from one thousand
31 eight hundred ninety-nine dollars and ninety-six cents
32 (\$1,899.96) for each bed in the nursing facility, by an
33 addition to the privilege assessment equal to three hundred
34 twenty-seven dollars and forty-eight cents (\$327.48) per
35 annum. The addition to the privilege assessment shall be paid
36 in equal monthly installments and shall merge into and be a
37 part of the privilege assessment described in this subsection.
38 The payment to nursing facilities of the determined allowable
39 costs in respect to the addition to the privilege assessment
40 described in this subsection shall be included in Medicaid per
41 diem rates for services provided commencing as of October 1,
42 2020, and shall continue to be included in such Medicaid per
43 diem rates in the same manner that reimbursement for the
44 privilege assessment is included in Medicaid per diem rates.
45 For each Medicaid nursing facility, in determining the October
46 1, 2020 adjustment to the Medicaid per diem for the allowable
47 costs associated with the addition to the privilege
48 assessment, the Medicaid Agency shall divide the total
49 addition to the privilege assessment by the total of all
50 incurred resident days, ~~(regardless of payor class,~~ reported
51 by each nursing facility in its Medicaid cost report filed for
52 the period then ending~~ended~~ June 30, 2019. Notwithstanding the
53 foregoing, in the event that the June 30, 2019 cost report is
54 for a period of less than one year, the resident days reported
55 shall be annualized. After the October 1, 2020 adjustment
56 under this subsection, the addition to the privilege



SB143 Enrolled

57 assessment shall be fully merged into the privilege assessment
58 and reimbursed in accordance with the method set forth for
59 calculating the reimbursement for the privilege assessment. In
60 the event that any portion of the privilege assessment paid by
61 a facility cannot be included in the computation of Medicaid
62 per diem rate because of the effect of any cost ceiling
63 provision of the reimbursement methodology, the cost ceiling
64 shall be adjusted to ensure continued treatment of the total
65 privilege assessments as an allowable cost.

66 (b) (1) ~~For the period~~Beginning September 1, 2010,
67 ~~through August 31, 2028,~~ there is levied and shall be
68 collected a supplemental privilege assessment on the business
69 activities of every nursing facility in the State of Alabama.
70 The supplemental privilege assessment imposed is in addition
71 to all other taxes and assessments, including, without
72 limitation, the privilege taxes provided for under this
73 article, and from September 1, 2010, through August 31, 2011,
74 shall be at the annual rate of one thousand sixty-three
75 dollars and eight cents (\$1,063.08) for each bed in the
76 nursing facility, and one thousand six hundred three dollars
77 and eight cents (\$1,603.08) for the ~~period~~periods beginning ~~of~~
78 September 1, 2011, through ~~August 31, 2028,~~ ~~except that~~
79 ~~beginning~~May 19, 2012. Beginning with the monthly payment for
80 the supplemental privilege assessment due beginning May 20,
81 2012, ~~and ending August 31, 2028,~~ there shall be a monthly
82 surcharge due with each monthly payment of the supplemental
83 privilege assessment. The initial monthly surcharge shall be
84 one hundred thirty-one dollars and twenty-five cents (\$131.25)



SB143 Enrolled

85 per licensed bed. Beginning with the monthly payment of the
86 supplemental privilege assessment due on September 20, 2012,
87 the monthly surcharge shall be reduced to forty-three dollars
88 and seventy-five cents (\$43.75) per bed, per month.

89 (2) ~~For the period~~Beginning October 1, 2015, ~~through~~
90 ~~August 31, 2028~~, there shall be collected a secondary
91 supplemental privilege assessment on the business activities
92 of every nursing facility in the State of Alabama. The
93 secondary supplemental privilege assessment imposed in this
94 subdivision is contingent upon the minimum appropriation
95 provided in Section 2 of Act 2015-536, and is in addition to
96 all other taxes and assessments, including, without
97 limitation, the privilege taxes provided for under this
98 article, and beginning October 1, 2015, shall be at the annual
99 rate of four hundred one dollars and twenty-eight cents
100 (\$401.28) for each bed in the nursing facility, payable
101 monthly.

102 (c) The total privilege assessment (and the addition to
103 the privilege assessment), supplemental privilege assessment,
104 secondary privilege assessment, (privilege assessments) and
105 surcharge paid by a nursing facility pursuant to this article
106 shall be considered an allowable cost, as that term is defined
107 in the reimbursement methodology for nursing facilities
108 contained in Title 560 of the Alabama Administrative Code,
109 and, to the extent permitted under applicable federal law
110 governing the Alabama Medicaid nursing home program, the total
111 privilege assessments paid must be included in the computation
112 of the Medicaid per diem rate determined under the



SB143 Enrolled

113 reimbursement methodology for nursing facilities contained in
114 Title 560 of the Alabama Administrative Code. The payment to
115 nursing facilities of the determined allowable costs in
116 respect to the supplemental privilege assessment described in
117 subsection (b) shall be included in Medicaid per diem rates
118 for services provided commencing as of January 1, 2011, and
119 shall continue to be included in such Medicaid per diem rates
120 for a period equal to the number of months during which the
121 supplemental assessments have been in effect. For each
122 Medicaid nursing facility, in determining the adjustment to
123 the Medicaid per diem for the allowable costs associated with
124 the supplemental assessment, the Medicaid Agency shall divide
125 the total supplemental assessment due under subsection (b) by
126 the total of all incurred resident days, ~~regardless of payor~~
127 ~~class,~~ reported by such nursing facility in its Medicaid cost
128 report filed for the period then ~~ending~~ended June 30, 2010. To
129 accommodate the increase in the supplemental assessment and
130 the surcharge described in subsection (b), the agency shall
131 use the mechanism described in this subsection to adjust each
132 nursing facility's rate effective as of October 1, 2011,
133 regarding the privilege assessment, and May 1, 2012, regarding
134 the surcharge. Notwithstanding the foregoing, in the event
135 that such cost report shall be for a period less than one
136 year, the resident days reported shall be annualized. In the
137 event that any portion of the privilege assessment paid by a
138 facility cannot be included in the computation of the Medicaid
139 per diem rate because of the effect of any cost ceiling
140 provision of the reimbursement methodology, the cost ceiling



SB143 Enrolled

141 must be adjusted to ensure continued treatment of the total
142 privilege assessments as an allowable cost.

143 (d) The privilege assessment rate or the supplemental
144 privilege assessment rate or the surcharge rate shall be
145 reduced by the department upon the advice of the Medicaid
146 Agency if, but only if, such reduction is required to ensure
147 that the total revenues to the State of Alabama produced by
148 this privilege assessment or, if the supplemental privilege
149 assessment and surcharge are in effect, the aggregate of the
150 supplemental privilege assessment and surcharge and the
151 privilege assessment, during any state fiscal year are less
152 than or equal to six percent of the total revenues received by
153 the nursing facilities in the state subject to the assessment
154 during that same fiscal year. In the event that the
155 supplemental privilege assessment or surcharge are reduced as
156 provided in the preceding sentence, then for each Medicaid
157 nursing facility a corresponding reduction shall be made to
158 the Medicaid per diem adjustment described in subsection (c)
159 to ensure that only the amount of supplemental privilege
160 assessment or surcharge actually paid is used in computing
161 that Medicaid nursing facility's allowable costs.

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

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

168 "§40-26B-26



SB143 Enrolled

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

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

180 (1) The ceiling for the operating cost center described
181 in Rule 560-X-22-.06(2) (a) of the Alabama Administrative Code
182 shall be computed at the median plus five percent.

183 (2) The ceiling for the direct patient care cost center
184 described in Rule 560-X-22-.06(2) (b) of the Alabama
185 Administrative Code shall be computed at the median plus 10
186 percent, and the provider's actual allowable reported cost per
187 patient day plus 11 percent, or the established ceiling plus
188 11 percent, whichever is less, will be used for each
189 provider's rate computation.

190 (3) The Medicaid Inflation Index described in Rule
191 560-X-22-.07 of the Alabama Administrative Code shall be
192 computed without regard to the trend factor variance described
193 in Rule 560-X-22-.07(4) of the Alabama Administrative Code.

194 (4) In calculating the ceiling for the operating cost
195 center, the direct patient care cost center or the indirect
196 patient care cost center, any increase in that ceiling over



SB143 Enrolled

197 such ceiling set in the year next preceding, shall not exceed
198 an amount equal to the product of such ceiling for the
199 previous year times the sum of the Medicaid Inflation Index,
200 described in Rule 560-X-22-.07 of the Alabama Administrative
201 Code, plus four percent.

202 (5) In determining the reimbursement in any fiscal year
203 to a nursing facility for certain specialized medical
204 equipment as described in Rule 560-X-22-.14(19) of the Alabama
205 Administrative Code, there shall be added to the daily
206 Medicaid per diem rate computed for that fiscal year, without
207 regard to the cost of such specialized medical equipment, an
208 amount equal to the actual cost of such specialized medical
209 equipment utilized for Medicaid residents during the fiscal
210 year next preceding and divided by the actual number of
211 Medicaid patient days incurred during that preceding fiscal
212 year. For the purpose of this subdivision, the terms "Medicaid
213 patient days," "Medicaid per diem rate," and "fiscal year"
214 shall have the meanings assigned to them in Chapter 560-X-22
215 of the Alabama Administrative Code.

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



SB143 Enrolled

225 Alabama Administrative Code.

226 (7) Notwithstanding subdivision (3), from October 1,
227 2011, through September 30, 2014, in applying the inflation
228 factor, zero percent shall be used to compute overall rates.

229 (8) Beginning with the setting of Medicaid nursing
230 facility rates based on the cost reporting period ~~ending~~
231 June 30, 2020, the current asset value, as described in Rule
232 560-X-22-.14(11) of the Alabama Administrative Code, for each
233 nursing facility, after applying the July 1, 2020, rebasing as
234 provided under Rule 560-X-22-.14(11) of the Alabama
235 Administrative Code, used to calculate nursing facility rates,
236 shall be recalculated by adding to each respective nursing
237 facility's current asset value an amount equal to the product
238 derived by multiplying the June 30, 2020, rebasing as provided
239 under Rule 560-X-22-.14(11) of the Alabama Administrative Code
240 by 41.03 percent. The current asset value as adjusted herein,
241 shall be rebased each subsequent year in accordance with Rule
242 560-X-22.14 of the Alabama Administrative Code, and applied to
243 calculate Medicaid nursing facility rates each subsequent cost
244 reporting year. Notwithstanding anything to the contrary in
245 the foregoing, for the purposes of applying the recalculated
246 current asset value to calculate a nursing facility's Medicaid
247 rate for the cost reporting year beginning July 1, 2020, any
248 resulting rate increase shall be effective for services
249 provided on or after October 1, 2020. No nursing facility
250 Medicaid rate increase for the recalculation of current asset
251 value described in this subdivision shall be effective for
252 services provided prior to October 1, 2020.



SB143 Enrolled

253 (9) For purposes of revising or adjusting the ceiling
254 under Rule 560-X-22-.06(3) of the Alabama Administrative Code,
255 once the ceiling has been established for a fiscal year, it
256 shall be final and not subject to revision or adjustment
257 during that year, except as provided in this subdivision. At
258 the discretion of the agency, the ceiling may be revised or
259 adjusted upon either the discovery of a material error or upon
260 a determination by the commissioner that it is necessary to
261 increase one or more of the ceilings in the event nursing
262 facilities are unable to be reimbursed for increases in
263 allowable costs that were required to be expended by nursing
264 facilities to meet a nationwide or statewide public health
265 emergency or because of a new federal or state law or
266 regulation or a statewide uncontrollable catastrophic event
267 affecting a majority of nursing facilities, and the resulting
268 increase in allowable costs would not be reimbursed due to the
269 annual ceiling increase limitation set forth in Rule
270 560-X-22-.06(2) of the Alabama Administrative Code. Because
271 the ceiling rate is based on information provided in the cost
272 reports, it is to the benefit of each provider to ensure that
273 the provider's information is correct and accurate. If obvious
274 errors are detected during the desk audit process, providers
275 shall be given an opportunity to submit corrected data to the
276 agency.

277 (c) Payments by the Medicaid program to each nursing
278 facility for nursing home services shall be sufficient to
279 cover the costs determined by cost reporting principles
280 incurred by each such nursing facility in providing care in an



SB143 Enrolled

281 economical and efficient manner and that is adequate to permit
282 the provision of care and services necessary to attain or
283 maintain the highest practicable, physical, mental, and
284 psychosocial well-being of each resident eligible for Alabama
285 Medicaid nursing home benefits in conformity with applicable
286 state and federal laws, rules, and regulations and quality and
287 safety standards.

288 (d) Notwithstanding subsection (b), Medicaid shall be
289 empowered to create a special reimbursement model to
290 accommodate enhanced reimbursed care provided in dedicated
291 ventilator units in nursing facilities that meet special
292 physical plant requirements such as dedicated emergency power
293 generation, through-the-wall medical gases and suction,
294 24-hour per day staffing with trained licensed respiratory
295 therapists, and medical direction through contract with or
296 employment of an Alabama licensed physician who is a board
297 certified pulmonologist.

298 (e) (1) Notwithstanding subsection (b), the Alabama
299 Medicaid Agency may create a quality incentive program for
300 nursing facilities that meet certain quality measures during
301 the scoring year. For the purpose of this subsection, the
302 scoring year for any year is the cost reporting year beginning
303 July 1 and ending June 30. The first scoring period shall be
304 July 1, 2020, through June 30, 2021. The quality incentive
305 shall be paid to nursing facilities in a lump sum on or before
306 February 1, following the scoring period ~~ending~~ ended
307 immediately prior June 30. For each scoring year, the Alabama
308 Medicaid Agency shall establish a quality incentive fund of



SB143 Enrolled

309 not less than five-million dollars (\$5,000,000), from which
310 quality incentive awards will be awarded and paid to those
311 nursing facilities qualifying for a quality incentive award.
312 Quality incentive scoring for each scoring period shall be
313 determined from certain measures selected by the Alabama
314 Medicaid Agency from both of the following:

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

318 b. Three of customer satisfaction survey categories
319 that are independently gathered and prepared by NRC Health, or
320 another nationally recognized satisfaction survey company with
321 experience in the long-term care field.

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

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

328 b. Rank for that category at or above the established
329 national average."

330 Section 3. This act shall become effective on June 1,
331 2026.



SB143 Enrolled

332
333
334
335
336
337
338
339
340
341
342
343
344
345
346
347
348
349
350
351
352
353
354
355
356
357
358
359
360
361
362
363
364

President and Presiding Officer of the Senate

Speaker of the House of Representatives

SB143

Senate 11-Mar-26

I hereby certify that the within Act originated in and passed the Senate.

Patrick Harris,
Secretary.

House of Representatives

Passed: 01-Apr-26

By: Senator Albritton