

**HOUSE SUBSTITUTE FOR
SENATE BILL NO. 1038**

A bill to amend 1939 PA 280, entitled
"The social welfare act,"
(MCL 400.1 to 400.119b) by adding section 111m.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

SEC. 111M. (1) AS USED IN THIS SECTION AND SECTION 111N:

**(A) "AUDIT" MEANS A REVIEW OF THE FINANCIAL RECORDS USED TO
COMPLETE A MEDICAID COST REPORT FOR COMPLIANCE WITH ALLOWABLE COST
PRINCIPLES AND OTHER POLICY CONTAINED IN THE MEDICAID PROVIDER
MANUAL. AUDIT INCLUDES, BUT IS NOT LIMITED TO, A LIMITED-SCOPE
AUDIT OR AN ON-SITE AUDIT. AN AUDIT CAN BE OF LIMITED OR FULL
SCOPE.**

**(B) "COMPLETED AUDIT" MEANS ISSUANCE OF THE PRELIMINARY
SUMMARY OF AUDIT ADJUSTMENT NOTICE. COMPLETED AUDIT INCLUDES THE
EXIT MEETING WITH THE NURSING FACILITY PROVIDER.**

(C) "MEDICAID COST REPORT" OR "COST REPORT" MEANS THE COST OF

1 CARE REPORTS SUBMITTED ANNUALLY BY A NURSING FACILITY THAT IS
2 PARTICIPATING IN THE MEDICAID PROGRAM AT A UTILIZATION RATE ON
3 AVERAGE OF AT LEAST 6 MEDICAID RESIDENTS, ON DEPARTMENT COST
4 REPORTING FORMS. A NURSING FACILITY PROVIDER WITH LESS THAN 6
5 MEDICAID RESIDENTS PER DAY MUST FILE A "LESS THAN COMPLETE" COST
6 REPORT AND IS NOT SUBJECT TO AUDIT.

7 (D) "SETTLEMENT" MEANS THE PROCESS OF RECONCILING A NURSING
8 FACILITY'S INTERIM PAYMENTS BASED ON FILED COST REPORT DATA TO
9 AUDITED COST REPORT DATA. A FINAL SETTLEMENT IS COMPUTED AFTER THE
10 COST REPORT HAS BEEN AUDITED.

11 (2) THE DEPARTMENT SHALL ACCEPT A MEDICAID COST REPORT FILED
12 BY A NURSING FACILITY NOT MORE THAN 60 CALENDAR DAYS AFTER THAT
13 NURSING FACILITY HAS FILED THE COST REPORT.

14 (3) THE DEPARTMENT SHALL ENSURE THAT AN AUDIT OF A MEDICAID
15 COST REPORT FILED BY A NURSING FACILITY PERFORMED BY THE DEPARTMENT
16 IS COMPLETED NOT MORE THAN 21 MONTHS AFTER THE FINAL ACCEPTANCE OF
17 THE COST REPORT. THE SETTLEMENT FOR AN AUDIT SHALL BE DELIVERED TO
18 THE PROVIDER NOT MORE THAN 60 CALENDAR DAYS AFTER THE PROVIDER
19 ACCEPTS THE FINAL SUMMARY OF AUDIT ADJUSTMENTS. IF A PROVIDER FAILS
20 TO RELEASE THE RECORDS NECESSARY TO VERIFY A SPECIFIC COST REPORT
21 EXPENSE WITHIN 15 BUSINESS DAYS OF A WRITTEN REQUEST FROM THE
22 DEPARTMENT, THE DEPARTMENT MAY DISALLOW THE COST ASSOCIATED WITH
23 THE ITEM IN QUESTION. THE TIME PERIOD DESCRIBED IN THIS SUBSECTION
24 DOES NOT INCLUDE TIME ASSOCIATED WITH AN APPEAL OR A CHARGE OF
25 FRAUD FILED AGAINST THE PROVIDER.

26 (4) AN ON-SITE AUDIT MAY BE PERFORMED AT AN INDIVIDUAL NURSING
27 FACILITY OR AT THE CORPORATE OFFICE IF A HOME OFFICE COST REPORT IS

1 FILED. AN ON-SITE AUDIT SHALL NOT LAST MORE THAN 30 CALENDAR DAYS
2 PER COST REPORT YEAR FOR AN INDIVIDUAL NURSING FACILITY AND NOT
3 MORE THAN 180 CALENDAR DAYS PER COST REPORT YEAR FOR MORE THAN 6
4 COMMONLY OWNED OR CONTROLLED NURSING FACILITIES, UNLESS THE NURSING
5 FACILITY AGREES TO AN EXTENDED TIMELINE. A LIMITED-SCOPE AUDIT
6 SHALL BE PERFORMED IN THE YEARS AN ON-SITE AUDIT IS NOT PERFORMED.
7 THE TIME PERIODS DESCRIBED IN THIS SUBSECTION MUST BE COMPLETED
8 WITHIN THE 21-MONTH TIME PERIOD DESCRIBED IN SUBSECTION (3).

9 (5) A CUSTOMER SATISFACTION SURVEY SHALL BE PROVIDED TO THE
10 NURSING FACILITIES THAT HAVE COMPLETED AUDITS IN THE PREVIOUS
11 QUARTER.

12 (6) A NURSING FACILITY SHALL MAKE AVAILABLE TO AN AUDITOR
13 DOCUMENTATION REQUIRED IN ACCORDANCE WITH THE MEDICAID STATE PLAN,
14 THE MEDICAID PROVIDER MANUAL, AND THE CODE OF FEDERAL REGULATIONS
15 RELATING TO MEDICARE OR MEDICAID. A NURSING FACILITY SHALL ENHANCE
16 UTILIZATION OF ELECTRONIC DOCUMENTS AND CORRESPONDENCE TO EXCHANGE
17 INFORMATION TO REDUCE TIME AND TRAVEL REQUIRED FOR NURSING FACILITY
18 AUDITS.

19 (7) IF AN AUDIT IS NOT COMPLETED WITHIN 21 MONTHS AS DESCRIBED
20 IN SUBSECTION (3), THE DEPARTMENT SHALL ACCEPT THE COST REPORT AS
21 FILED AND MOVE TO SETTLEMENT.

22 (8) THE DEPARTMENT SHALL PROVIDE AUDITOR EDUCATION TO ENSURE
23 CONSISTENCY IN APPLICATION OF DEPARTMENT POLICY. THE DEPARTMENT
24 SHALL INCLUDE AN ONGOING DISCUSSION OF ALL AUDIT ADJUSTMENTS TO
25 ENSURE CONSISTENCY IN APPLYING DEPARTMENT POLICY AND SHALL IDENTIFY
26 AND ELIMINATE ANY INCONSISTENCIES BETWEEN OFFICES WITH THIS
27 TRAINING.

1 (9) NOT LATER THAN 2 YEARS AFTER THE EFFECTIVE DATE OF THE
2 AMENDATORY ACT THAT ADDED THIS SECTION, THE DEPARTMENT MUST
3 FINALIZE ALL AUDITS AND SETTLEMENTS FOR COST REPORTS THAT HAVE BEEN
4 FILED SINCE BEFORE THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT
5 ADDED THIS SECTION. A COST REPORT DESCRIBED UNDER THIS SUBSECTION
6 THAT HAS NOT BEEN COMPLETED BY THE DEPARTMENT WITHIN 2 YEARS OF THE
7 EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS SECTION MUST
8 BE ACCEPTED BY THE DEPARTMENT AS FILED BY THE NURSING FACILITY, AND
9 A COST REPORT SETTLEMENT MUST BE ISSUED WITHIN 60 CALENDAR DAYS
10 AFTER ACCEPTANCE.

11 (10) BEGINNING 2 YEARS AFTER THE EFFECTIVE DATE OF THE
12 AMENDATORY ACT THAT ADDED THIS SECTION, THE DEPARTMENT SHALL
13 PROVIDE AN ANNUAL REPORT TO THE APPROPRIATE STAKEHOLDERS, INCLUDING
14 AT LEAST 1 REPRESENTATIVE FROM EACH NURSING FACILITY PROVIDER TRADE
15 ASSOCIATION, ON THE IMPLEMENTATION AND RESULTS OF THE COST REPORT
16 AUDIT AND SETTLEMENT PROCESS ESTABLISHED UNDER THIS SECTION. THE
17 REPORT SHALL INCLUDE, BUT IS NOT LIMITED TO, BOTH OF THE FOLLOWING:

18 (A) THE NUMBER OF LIMITED-SCOPE AUDITS, ON-SITE AUDITS, AND
19 ANY OTHER TYPE OF AUDIT PERFORMED DURING THE REPORTING PERIOD.

20 (B) RESULTS OF THE AUDIT SATISFACTION SURVEYS AND HOW THE
21 DEPARTMENT HAS RESPONDED TO THOSE SURVEYS.

22 Enacting section 1. This amendatory act takes effect 180 days
23 after the date it is enacted into law.