

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:

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

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

8 (B) "COMPLETED AUDIT" MEANS ISSUANCE OF THE PRELIMINARY
9 SUMMARY OF ADJUSTMENT NOTICE. COMPLETED AUDIT INCLUDES THE EXIT

1 MEETING WITH THE NURSING FACILITY PROVIDER.

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

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

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

16 (3) THE DEPARTMENT SHALL ENSURE THAT AN AUDIT OF A MEDICAID
17 COST REPORT FILED BY A NURSING FACILITY PERFORMED BY THE DEPARTMENT
18 IS COMPLETED NOT MORE THAN 21 MONTHS AFTER THE FINAL ACCEPTANCE OF
19 THE COST REPORT. THE SETTLEMENT FOR AN AUDIT SHALL BE FINALIZED NOT
20 MORE THAN 60 CALENDAR DAYS AFTER THE COMPLETION OF THE AUDIT. THE
21 21-MONTH PERIOD DESCRIBED IN THIS SUBSECTION DOES NOT INCLUDE TIME
22 ASSOCIATED WITH ANY APPEAL.

23 (4) THE DEPARTMENT SHALL PERFORM AN ON-SITE AUDIT OF A NURSING
24 FACILITY AT LEAST ONCE EVERY 4 YEARS. AN ON-SITE AUDIT SHALL NOT
25 LAST MORE THAN 30 CALENDAR DAYS PER COST REPORT YEAR FOR AN
26 INDIVIDUAL NURSING FACILITY AND NOT MORE THAN 180 DAYS PER COST
27 REPORT YEAR FOR MORE THAN 6 COMMONLY OWNED OR CONTROLLED NURSING

1 FACILITIES, UNLESS THE NURSING FACILITY AGREES TO AN EXTENDED
2 TIMELINE. A LIMITED-SCOPE AUDIT SHALL BE PERFORMED IN THE YEARS AN
3 ON-SITE AUDIT IS NOT PERFORMED.

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

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

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

17 (8) THE DEPARTMENT SHALL PROVIDE AUDITOR EDUCATION TO ENSURE
18 CONSISTENCY IN APPLICATION OF DEPARTMENT POLICY. THE DEPARTMENT
19 SHALL INCLUDE AN ONGOING DISCUSSION OF ALL AUDIT ADJUSTMENTS TO
20 ENSURE CONSISTENCY IN APPLYING DEPARTMENT POLICY AND SHALL IDENTIFY
21 AND ELIMINATE ANY INCONSISTENCIES BETWEEN OFFICES WITH THIS
22 TRAINING.

23 (9) NOT LATER THAN 1 YEAR AFTER THE EFFECTIVE DATE OF THE
24 AMENDATORY ACT THAT ADDED THIS SECTION, AN EXTERNAL REVIEW BY A
25 THIRD PARTY OF THE OFFICE OF AUDIT'S PRACTICES RELATED TO NURSING
26 FACILITY PROVIDERS' FILING OF MEDICAID COST REPORTS AND AUDITS AND
27 SETTLEMENTS SHALL BE COMPLETED. THE PURPOSE OF THE EXTERNAL REVIEW

1 SHALL BE TO COMPARE THE EFFICIENCY AND COST-BENEFIT EFFECTIVENESS
2 OF EXISTING DEPARTMENT AUDIT PRACTICES WITH CONTRACTING FUNCTIONS
3 OF AUDITS OR SETTLEMENTS TO A THIRD PARTY. THE DEPARTMENT IS
4 RESPONSIBLE FOR OBTAINING THE EXTERNAL REVIEW AND SHALL PROVIDE THE
5 COMPLETED REVIEW TO THE LEGISLATURE. THE THIRD PARTY MUST BE
6 INDEPENDENT FROM THE DEPARTMENT, MEDICAID PROVIDERS, PROVIDER TRADE
7 ASSOCIATION MEMBERS, AND NURSING FACILITY COST REPORT PREPARERS OR
8 CONSULTANTS.

9 (10) NOT LATER THAN 2 YEARS AFTER THE EFFECTIVE DATE OF THE
10 AMENDATORY ACT THAT ADDED THIS SECTION, THE DEPARTMENT MUST
11 FINALIZE ALL AUDITS AND SETTLEMENTS FOR COST REPORTS THAT HAVE BEEN
12 FILED SINCE BEFORE THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT
13 ADDED THIS SECTION. A COST REPORT DESCRIBED UNDER THIS SUBSECTION
14 THAT HAS NOT BEEN COMPLETED BY THE DEPARTMENT WITHIN 2 YEARS OF THE
15 EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS SECTION MUST
16 BE ACCEPTED BY THE DEPARTMENT AS FILED BY THE NURSING FACILITY, AND
17 A COST REPORT SETTLEMENT MUST BE ISSUED WITHIN 60 CALENDAR DAYS
18 AFTER ACCEPTANCE.

19 (11) BEGINNING 2 YEARS AFTER THE EFFECTIVE DATE OF THE
20 AMENDATORY ACT THAT ADDED THIS SECTION, THE DEPARTMENT SHALL
21 PROVIDE AN ANNUAL REPORT TO THE SENATE AND HOUSE OF REPRESENTATIVES
22 APPROPRIATIONS SUBCOMMITTEES ON THE DEPARTMENT BUDGET, THE SENATE
23 AND HOUSE OF REPRESENTATIVES STANDING COMMITTEES WITH JURISDICTION
24 OVER ISSUES INVOLVING SENIOR CITIZENS, AND THE SENATE AND HOUSE OF
25 REPRESENTATIVES FISCAL AGENCIES ON THE IMPLEMENTATION AND RESULTS
26 OF THE COST REPORT AUDIT AND SETTLEMENT PROCESS ESTABLISHED UNDER
27 THIS SECTION. THE REPORT SHALL INCLUDE, BUT IS NOT LIMITED TO, ALL

1 OF THE FOLLOWING:

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

4 (B) HOW THE DEPARTMENT HAS MET THE 1-TIME-EVERY-4-YEARS ON-
5 SITE AUDIT REQUIREMENT.

6 (C) RESULTS OF THE AUDIT SATISFACTION SURVEYS AND HOW THE
7 DEPARTMENT HAS RESPONDED TO THOSE SURVEYS.

8 Enacting section 1. This amendatory act takes effect 90 days
9 after the date it is enacted into law.