

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 AUDIT ADJUSTMENT NOTICE. COMPLETED AUDIT INCLUDES THE  
10 EXIT MEETING WITH THE NURSING FACILITY PROVIDER.

11 (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 1 YEAR AFTER THE EFFECTIVE DATE OF THE  
2 AMENDATORY ACT THAT ADDED THIS SECTION, AN EXTERNAL REVIEW BY A  
3 THIRD PARTY OF THE OFFICE OF AUDIT'S PRACTICES RELATED TO NURSING  
4 FACILITY PROVIDERS' FILING OF MEDICAID COST REPORTS AND AUDITS AND  
5 SETTLEMENTS SHALL BE COMPLETED. THE PURPOSE OF THE EXTERNAL REVIEW  
6 SHALL BE TO COMPARE THE EFFICIENCY AND COST-BENEFIT EFFECTIVENESS  
7 OF EXISTING DEPARTMENT AUDIT PRACTICES WITH CONTRACTING FUNCTIONS  
8 OF AUDITS OR SETTLEMENTS TO A THIRD PARTY. THE DEPARTMENT IS  
9 RESPONSIBLE FOR OBTAINING THE EXTERNAL REVIEW AND SHALL PROVIDE THE  
10 COMPLETED REVIEW TO THE LEGISLATURE. THE THIRD PARTY MUST BE  
11 INDEPENDENT FROM THE DEPARTMENT, MEDICAID PROVIDERS, PROVIDER TRADE  
12 ASSOCIATION MEMBERS, AND NURSING FACILITY COST REPORT PREPARERS OR  
13 CONSULTANTS.

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

24           (11) BEGINNING 2 YEARS AFTER THE EFFECTIVE DATE OF THE  
25 AMENDATORY ACT THAT ADDED THIS SECTION, THE DEPARTMENT SHALL  
26 PROVIDE AN ANNUAL REPORT TO THE APPROPRIATE STAKEHOLDERS, INCLUDING  
27 AT LEAST 1 REPRESENTATIVE FROM EACH NURSING FACILITY PROVIDER TRADE

1 ASSOCIATION, ON THE IMPLEMENTATION AND RESULTS OF THE COST REPORT  
2 AUDIT AND SETTLEMENT PROCESS ESTABLISHED UNDER THIS SECTION. THE  
3 REPORT SHALL INCLUDE, BUT IS NOT LIMITED TO, BOTH OF THE FOLLOWING:

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

6 (B) 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.