

SENATE BILL No. 1038

May 30, 2018, Introduced by Senators STAMAS, MACGREGOR and HANSEN and referred to the Committee on Oversight.

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 A FULL-SCOPE AUDIT. AN AUDIT CAN BE OF LIMITED OR FULL**
7 **SCOPE.**

8 **(B) "MEDICAID COST REPORT" OR "COST REPORT" MEANS THE COST OF**
9 **CARE REPORTS SUBMITTED ANNUALLY BY A NURSING FACILITY THAT IS**

1 PARTICIPATING IN THE MEDICAID PROGRAM, ON DEPARTMENT COST REPORTING
2 FORMS.

3 (C) "SETTLEMENT" MEANS THE PROCESS OF RECONCILING A NURSING
4 FACILITY'S INTERIM PAYMENTS BASED ON FILED COST REPORT DATA TO
5 AUDITED COST REPORT DATA. A FINAL SETTLEMENT IS COMPUTED AFTER THE
6 COST REPORT HAS BEEN AUDITED.

7 (2) THE DEPARTMENT SHALL ACCEPT A MEDICAID COST REPORT FILED
8 BY A NURSING FACILITY NOT MORE THAN 45 DAYS AFTER THAT NURSING
9 FACILITY HAS FILED THE COST REPORT.

10 (3) THE DEPARTMENT SHALL ENSURE THAT AN AUDIT OF A MEDICAID
11 COST REPORT FILED BY A NURSING FACILITY AND THE RELATED SETTLEMENT
12 PERFORMED BY THE DEPARTMENT ARE COMPLETED NOT MORE THAN 18 MONTHS
13 AFTER THE INITIAL FILING OF THE COST REPORT.

14 (4) THE DEPARTMENT SHALL PERFORM A FULL-SCOPE AUDIT OF A
15 NURSING FACILITY ONCE EVERY 4 YEARS. A FULL-SCOPE AUDIT SHALL NOT
16 LAST MORE THAN 30 DAYS PER COST REPORT YEAR FOR AN INDIVIDUAL
17 NURSING FACILITY AND NOT MORE THAN 180 DAYS PER COST REPORT YEAR
18 FOR MORE THAN 6 COMMONLY OWNED OR CONTROLLED NURSING FACILITIES. A
19 LIMITED-SCOPE AUDIT SHALL BE PERFORMED IN THE YEARS A FULL-SCOPE
20 AUDIT IS NOT PERFORMED.

21 (5) A CUSTOMER SATISFACTION SURVEY SHALL BE PROVIDED TO THE
22 NURSING FACILITY AND THE AUDITOR UPON COMPLETION OF A FULL-SCOPE
23 AUDIT.

24 (6) A NURSING FACILITY SHALL MAKE AVAILABLE TO AN AUDITOR
25 DOCUMENTATION REQUIRED IN ACCORDANCE WITH THE MEDICAID STATE PLAN,
26 THE MEDICAID PROVIDER MANUAL, THE MEDICARE PRINCIPLES OF
27 REIMBURSEMENT AS DESCRIBED IN THE PROVIDER REIMBURSEMENT MANUAL,

1 THE CODE OF FEDERAL REGULATIONS RELATING TO MEDICARE, AND THE
2 PROVIDER REIMBURSEMENT MANUAL. A NURSING FACILITY SHALL ENHANCE
3 UTILIZATION OF ELECTRONIC DOCUMENTS AND CORRESPONDENCE TO EXCHANGE
4 INFORMATION TO REDUCE TIME AND TRAVEL REQUIRED FOR NURSING FACILITY
5 AUDITS.

6 (7) IF AN AUDIT OR SETTLEMENT IS NOT COMPLETED WITHIN 18
7 MONTHS AS DESCRIBED IN SUBSECTION (3), THE DEPARTMENT SHALL ACCEPT
8 THE COST REPORT AS FILED BY THE NURSING FACILITY AND ISSUE A
9 SETTLEMENT NOT MORE THAN 30 DAYS AFTER THE END OF THE EIGHTEENTH
10 MONTH DESCRIBED IN SUBSECTION (3).

11 (8) THE DEPARTMENT SHALL PROVIDE AUDITOR EDUCATION TO ENSURE
12 CONSISTENCY IN APPLICATION OF DEPARTMENT POLICY. THE DEPARTMENT
13 SHALL ESTABLISH AN ONGOING REVIEW OF ALL AUDIT ADJUSTMENTS FOR
14 CONSISTENCY IN APPLYING DEPARTMENT POLICY AND SHALL IDENTIFY AND
15 ELIMINATE ANY INCONSISTENCIES BETWEEN AUDITS.

16 (9) NOT LATER THAN 1 YEAR AFTER THE EFFECTIVE DATE OF THE
17 AMENDATORY ACT THAT ADDED THIS SECTION, AN EXTERNAL REVIEW BY A
18 THIRD PARTY OF THE OFFICE OF AUDIT'S PRACTICES RELATED TO NURSING
19 FACILITY PROVIDERS' FILING OF MEDICAID COST REPORTS AND AUDITS AND
20 SETTLEMENTS SHALL BE COMPLETED. THE PURPOSE OF THE EXTERNAL REVIEW
21 SHALL BE TO COMPARE THE EFFICIENCY AND COST-BENEFIT EFFECTIVENESS
22 OF EXISTING DEPARTMENT AUDIT PRACTICES WITH CONTRACTING FUNCTIONS
23 OF AUDITS OR SETTLEMENTS TO AN OUTSIDE ENTITY. THE DEPARTMENT IS
24 RESPONSIBLE FOR OBTAINING THE EXTERNAL REVIEW AND SHALL PROVIDE THE
25 COMPLETED REVIEW TO THE LEGISLATURE.

26 (10) NOT LATER THAN 2 YEARS AFTER THE EFFECTIVE DATE OF THE
27 AMENDATORY ACT THAT ADDED THIS SECTION, THE DEPARTMENT MUST

1 FINALIZE ALL AUDITS AND SETTLEMENTS FOR COST REPORTS THAT HAVE BEEN
2 FILED SINCE BEFORE THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT
3 ADDED THIS SECTION. A COST REPORT DESCRIBED UNDER THIS SUBSECTION
4 THAT HAS NOT BEEN COMPLETED BY THE DEPARTMENT WITHIN 2 YEARS OF THE
5 EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS SECTION MUST
6 BE ACCEPTED BY THE DEPARTMENT AS FILED BY THE NURSING FACILITY, AND
7 A COST REPORT SETTLEMENT MUST BE ISSUED WITHIN 30 DAYS AFTER
8 ACCEPTANCE.

9 (11) BEGINNING 2 YEARS AFTER THE EFFECTIVE DATE OF THE
10 AMENDATORY ACT THAT ADDED THIS SECTION, THE DEPARTMENT SHALL
11 PROVIDE AN ANNUAL REPORT TO THE LEGISLATURE ON THE IMPLEMENTATION
12 AND RESULTS OF THE COST REPORT AUDIT AND SETTLEMENT PROCESS
13 ESTABLISHED UNDER THIS SECTION. THE REPORT SHALL INCLUDE, BUT IS
14 NOT LIMITED TO, ALL OF THE FOLLOWING:

15 (A) THE NUMBER OF LIMITED-SCOPE AUDITS, FULL-SCOPE AUDITS, AND
16 ANY OTHER TYPE OF AUDIT PERFORMED DURING THE REPORTING PERIOD.

17 (B) HOW THE DEPARTMENT HAS COMPLIED WITH THE 1-TIME-EVERY-4-
18 YEARS FULL-SCOPE AUDIT REQUIREMENT.

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

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