

## **Rule No. 560-X-42-.02 Introduction**

(1) This Chapter of the Alabama Medicaid Regulations has been promulgated by the Alabama Medicaid Agency (Medicaid) for the guidance of providers of Medicaid ICF/MRIID care. This Chapter is applicable to those providers classified as ICF/MRIID.

(2) The Alabama Medicaid Program is administered by Medicaid under the direction of the Governor's Office. Reimbursement principles for ICF/MRIID providers are outlined in the following sections of this Chapter. These principles, hereinafter referred to as "Medicaid Reimbursement Principles," are a combination of generally accepted accounting principles, principles included in the State Plan, Medicare (Title XVIII) Principles of Reimbursement, and principles and procedures promulgated by Medicaid to provide reimbursement of provider costs which must be incurred by efficiently and economically operated ICF/MRsIIDs. These principles are not intended to be all inclusive, and additions, deletions, and changes to them will be made by Medicaid, as required. Providers are urged to familiarize themselves fully with the following information, as cost reports must be submitted to Medicaid in compliance with this regulation.

(3) If this Regulation is silent on a given point, Medicaid will normally rely on Medicare (Title XVIII) Principles of Retrospective Reimbursement and, in the event such Medicare Principles provide no guidance, Medicaid may impose other reasonability tests. The tests include, but are not limited to, such tests as:

- (a) Does the cost as reported comply with generally accepted accounting principles?
- (b) Is the cost reasonable on its own merit?
- (c) How does the cost compare with that submitted by similarly sized homes furnishing like levels of care?
- (d) Is the cost related to resident care and necessary to the operations of an ICF/MRIID facility?

(4) It is recognized that there are many factors involved in operating an ICF/MRIID facility. The size of the home, the levels of care offered, the intensity of care required, the geographical location (rural or urban), the available labor market, and the availability of qualified consultants are only examples of such factors, and considerable effort has been made to recognize such variables during the development of this Chapter. Only reported costs reflecting such variables without exceeding the "prudent buyer" concept or other applied tests of reasonability will be allowed by Medicaid. Medicaid will consider granting variances from the Medicaid Reimbursement Principles whenever a provider submits convincing evidence that it can provide a service in a more cost effective manner if such variance is permitted.

(5) Records must be kept by the provider which document and justify costs, and only those costs which can be fully and properly substantiated will be allowed by Medicaid. Increases over amounts reported on a provider's previous cost reports, except those increases inherent in normal inflation, will be closely examined for reasonableness.

(6) The principles presented herein are based on the "prudent buyer" concept. An ICF/MR IID administrator is expected to conduct his business in an efficient and conservative manner,

| and to submit requests for reimbursement only for costs which are absolutely necessary to the conduct of an economically and efficiently operated ICF/~~MR IID~~ facility.

(7) Unallowable costs which are identified during either desk audits or field audits will be disallowed despite similar costs having been included in prior cost reports without having been disallowed.

(8) The only source of the funds expended by Medicaid is public funds, exacted from the taxpayers through state and federal taxes. Improper encroachment on these funds is an affront to the taxpayers and will be treated accordingly.

(9) To assure only necessary expenditures of public money, it will be the policy of Medicaid to:

- (a) Conduct on-site audits of facilities on an unannounced basis, although prior announcement may be made at the discretion of Medicaid.
- (b) Determine audit exceptions in accordance with Medicaid Reimbursement Principles.
- (c) Allow only non-extravagant, reasonable, necessary and other allowable costs and demand prompt repayment of any unallowable amounts to Medicaid.

(10) In the event desk audits or field audits by Medicaid's staff reveal that providers persist in including unallowable costs in their cost reports, Medicaid may refer its findings to the Medicaid Program Integrity Division, Medicaid Counsel, and/or the Alabama Attorney General.

(11) CAUTION: The cost allowances contained in this Chapter are maximum allowances, and are not considered a standard. Providers whose costs are normally and historically below the presented amounts may not automatically report the larger amount.

(12) While the responsibility for establishing policies throughout the Medicaid Program rests with Medicaid, comments on the contents of this Chapter are invited and will be given full consideration.

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**Statutory Authority:** State Plan; Title XIX, Social Security Act; 42 C.F.R., Section 447.250-.255.

**History:** Rule effective October 13, 1988. Effective date of this amendment July 13, 1993.

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