

TRANSMITTAL SHEET FOR  
NOTICE OF INTENDED ACTION

Control No: 560 . Department or Agency: Alabama Medicaid Agency .

Rule No: 560-X-35-.06 .

Rule Title: Financial Accountability

         New Rule;          Amend;     X     Repeal;          Adoption by Reference

Would the absence of the proposed rule significantly harm or endanger the public health, welfare, or safety?                                  no                 

Is there a reasonable relationship between the state's police power and the protection of the public health, safety, or welfare?                                  yes                 

Is there another, less restrictive method of regulation available that could adequately protect the public?                                  no                 

Does the proposed rule have the effect of directly or indirectly increasing the costs of any goods or services involved and, if so, to what degree?                                  no                 

Is the increase in cost, if any, more harmful to the public than the harm that might result from the absence of the proposed rule?                                  no                 

Are all facets of the rulemaking process designed solely for the purpose of, and so they have, as their primary effect, the protection of the public?                                  yes                 

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Does the proposed rule have any economic impact?                                  no                 

If the proposed rule has an economic impact, the proposed rule is required to be accompanied by a fiscal note prepared in accordance with subsection (f) of Section 41-22-23, Code of Alabama 1975.

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Certification of Authorized Official

I certify that the attached proposed rule has been proposed in full compliance with the requirements of Chapter 22, Title 41, Code of Alabama 1975 and that it conforms to all applicable filing requirements of the Administrative Procedure Division of the Legislative Reference Service.

Signature of certifying officer: Stephanie Lindsay

Date: 4-20-12

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**ALABAMA MEDICAID AGENCY**

**NOTICE OF INTENDED ACTION**

**RULE NO. & TITLE:** 560-X-35-.06 – Financial Accountability

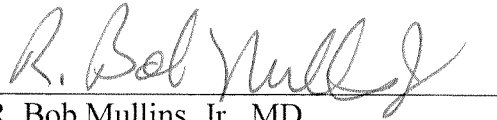
**INTENDED ACTION:** Repeal 560-X-35-.06

**SUBSTANCE OF PROPOSED ACTION:** The above-referenced rule is being repealed to delete language regarding cost-based reimbursement.

**TIME, PLACE, MANNER OF PRESENTING VIEWS:** Written or oral comments may be submitted to the Alabama Medicaid Agency, 501 Dexter Avenue, Post Office Box 5624, Montgomery, Alabama 36103-5624, 334-242-5833. Agency business hours are 8:00 a.m. to 5:00 p.m. Monday through Friday.

**FINAL DATE FOR COMMENT AND COMPLETION OF NOTICE:** Written/Oral comments concerning this change must be received by the Alabama Medicaid Agency no later than June 5, 2012.

**CONTACT PERSON AT AGENCY:** Stephanie Lindsay, Administrative Secretary, Alabama Medicaid Agency, 501 Dexter Avenue, Post Office Box 5624, Montgomery, Alabama 36103-5624.



R. Bob Mullins, Jr., MD  
Commissioner

**Rule No. 560-X-35-.06. Financial Accountability** REPEALED. Reserved

(1) The financial accountability of providers for funds expended on Home and Community-Based services must be maintained and provide a clearly defined audit trail. Providers must retain records that fully disclose the extent and cost of services provided to eligible recipients through the renewal period. These records must be accessible to the Alabama Medicaid Agency and appropriate state and federal officials. If these records are not available within the State of Alabama, the provider will pay the travel cost of the auditors to the location of the records.

(2) The MR Waiver has transitioned from a cost-based reimbursement system to a fee-for-service payment system. In order to ensure that the payments in a fee-for-service system are proper, the providers will be required to maintain cost report data and to submit Medicaid cost reports for three cost report periods. The cost report periods are: October 1, 2004 through December 31, 2004; January 1, 2005 through September 30, 2005; October 1, 2005 through September 30, 2006. Cost reports are due to Medicaid no later than ninety (90) days after the ending date of the reports as indicated above. Extension may be granted only upon written request. If a complete cost report is not filed by the due date or an extension is not granted, a penalty of \$100 per day for each day past the due date will be imposed on the provider. The penalty will not be a reimbursable Medicaid cost. For detailed information on penalties see MR Waiver Fiscal Procedures Manual.

(3) Auditing Standards - Office of Management and Budget (OMB) Circular A-87, "Cost Principles for state and local government" will apply to governmental agencies participating in this program. For non-governmental agencies, OMB Circular, A-110 (Uniform administrative requirements for grants and other agreements with Institutions of Higher Education, hospitals and other non-profit organizations) and generally accepted accounting principles will apply. Governmental and non-governmental agencies will utilize the accrual method of accounting unless otherwise authorized by the Alabama Medicaid Agency.

(4) Cost Allowable and Unallowable

(a) 45 C.F.R., part 95, specifies dollar limits and accounting principles for the purchase of equipment. Purchases above the twenty-five thousand dollar limit require the approval of Medicaid.

(b) OMB Circular A-87 establishes cost principles for governmental agencies. For governmental agencies, all reported costs will be adjusted to actual costs at the end of the fiscal year.

(c) Contract payments for the delivery of specific services are allowable expenses. Thus, contracts for residential habilitation training, day habilitation training, prevocational services, supported employment, occupational therapy, speech therapy, physical therapy, individual family support services, behavior management, companion services, respite care, personal care, environmental modifications, specialized medical equipment and supplies, assistive technology, personal emergency response system, and skilled nursing are recognized expenses.

(d) Allowable costs are defined in OMB Circular A-122 (cost principles for non-profit organization) or OMB Circular A-87. Detailed descriptions of allowable costs and restrictions on those costs are found in the MR Waiver Fiscal Procedures Manual.

(e) Unallowable costs are specified in OMB Circular A-87 or Circular A-122. In addition to these, the following are not covered by this program:

1. Costs covered by other programs, such as:
  - (i) Prescription drug
  - (ii) Dental expenses

- (iii) Ambulance
  - (iv) Physician's fees
  - (v) Lab expenses for clients
  - (vi) Oxygen
  - (vii) Inhalation therapy
  - (viii) Group therapy
2. The cost of advisory council consultants without Alabama Medicaid Agency's approval.
3. Legal fees as follows:
- (i) Retainers
  - (ii) Relating to fair hearings
  - (iii) In connection with law suits that result in an adverse decision for the provider
  - (iv) Services that duplicate functions performed by Medicaid or the providers, such as eligibility determination for the program,
  - (v) Other legal fees not relating to the provision of services to the beneficiaries
4. Dues and subscriptions not related to services authorized under the waiver.
5. Detailed description of unallowable costs is specified in the MR Waiver Policy and Procedures Manual.

(5) Cost Allocation Plans

(a) State agencies are required to have a cost allocation plan approved by the Division of Cost Allocation (DCA) when the agencies handle multiple federal funds. The format of a cost allocation plan is specified by 45 C.F.R. 95.507, which also calls for written agreements between state agencies. Existence of such a plan will be an item of audit.

(b) Direct costs are charged to the specific services that incurred them. It is the indirect/overhead costs that are allocated to the specific fund. If there is more than one project with a fund, there must be a written plan to distribute costs among the projects. Within this project, there are two types of indirect costs. The first are those that can be associated with the services that are provided, such as an assessment at the central office that verifies the quality of service. This cost can be prorated to each service by a method described in writing. This first type of cost qualifies for the federal match benefit percentage. The second type of cost is reimbursed at the administrative federal financial participation rate. See rule 560-X-35.09 (8) for definition.

(c) Contracts which are used for procuring services from other governmental agencies must be cost-allocated. At a minimum, these contracts should meet the requirements of 45 C.F.R. 95.507; these contracts must indicate:

- 1. The specific services being purchased
- 2. The basis upon which the billing will be made (e.g., time reports, number of homes inspected, etc.).

**Author:** Samantha McLeod, Associate Director, LTC Specialized Waiver Programs.

**Statutory Authority:** 42 CFR, Section 441, Subpart G and the Home and Community-Based Waiver for Persons with Mental Retardation.

**History:** Rule effective July 9, 1985. **Amended:** November 18, 1987, November 10, 1988, and May 15, 1990. Effective date of this Amendment January 14, 1997. **Amended:** Filed October 21, 2004; effective January 14, 2005. **Amended:** Filed January 21, 2009; effective April 17, 2009. **Amended:** Filed April 20, 2012.