

TRANSMITTAL SHEET FOR  
NOTICE OF INTENDED ACTION

Control No: 560 Department or Agency: Alabama Medicaid Agency

Rule No: 560-X-23-.05

Rule Title: Psychiatric Hospitals  
         New Rule; X Amend;          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: Stephano Aca

Date: 9-29-11

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**ALABAMA MEDICAID AGENCY**

**NOTICE OF INTENDED ACTION**

**RULE NO. & TITLE:** 560-X-23-.05 – Psychiatric Hospitals

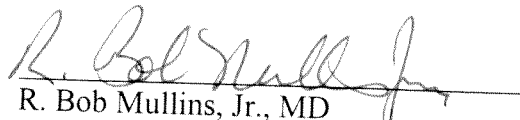
**INTENDED ACTION:** Amend 560-X-23-.05

**SUBSTANCE OF PROPOSED ACTION:** The above-referenced rule is being amended to clarify payment methodology as defined in the State Plan Attachments 4.19-B and 3.1-A. The payment methodology for outpatient hospital will change from an encounter payment methodology to a fee for service payment methodology.

**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 December 5, 2011.

**CONTACT PERSON AT AGENCY:** Stephanie McGee Azar,  
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-23-.05 Psychiatric Hospitals

(1) For the period October 1, 2009~~11~~, through September 30, 2011~~13~~, in addition to any other funds paid to private free-standing psychiatric hospitals for inpatient hospital services to Medicaid patients, qualifying hospitals shall receive an annual private free-standing psychiatric hospital access payment equal to \$185 per Medicaid inpatient day paid in state fiscal year 2007.

~~(2) For the period October 1, 2009, through September 30, 2011, Medicaid shall pay Bryce Hospital Adolescent Unit a base (per diem) payment based on 2007 inpatient payments divided by 2007 total Medicaid days trended by the hospital market basket index as published by Global Insight Health-Care Cost Review to the current fiscal year.~~

(3) General - Annual cost report filing, by completing Medicaid prescribed standard cost report forms, is mandatory for psychiatric hospitals. Cost reports shall be completed in accordance with the Instructions for the Alabama Medicaid Uniform Cost Report.

(a) Cost Report Year-Ends - Each provider is required to file a uniform cost report for each fiscal year. The provider may elect the last day of any month as the fiscal year end. The cost report is due ninety (90) days after the fiscal year end elected by the provider. To change the fiscal year end, a written request must be received by the Alabama Medicaid Agency no later than sixty (60) days prior to the close of the provider's current cost reporting period. Providers must have written approval from the Alabama Medicaid Agency before changing the reporting period.

(b) Cost Report Filing - One copy of the complete uniform cost report must be received by Medicaid within three months after the Medicaid cost report year-end. It shall be signed by an authorized official or owner of the hospital. If the cost report is prepared by anyone other than an official or a full-time employee of the hospital, such person shall duly execute and submit the report as the Cost Report Preparer. The signatures of both the hospital official and Cost Report Preparer, if any, must be preceded by the following certification:

INTENTIONAL MISREPRESENTATION OR FALSIFICATION OF  
ANY INFORMATION CONTAINED IN THIS COST REPORT MAY  
BE PUNISHABLE BY FINE AND/OR IMPRISONMENT UNDER  
FEDERAL LAW.

I HEREBY CERTIFY that I have read the above statement and that I have examined the accompanying Cost Report and supporting schedules prepared on behalf of (hospital name(s) and Number(s) ) for the cost report period beginning and ending and that to the best of my knowledge and belief, it is a true, correct, and complete report prepared from the books and records of the hospital(s) in accordance with applicable Alabama Medicaid Reimbursement Principles, except as noted.

Signed

Officer or Administrator  
of Hospital(s)

Cost Report Preparer

By:

Title

Date

Date

Any cost report received by Medicaid without the required original signatures and/or certification(s) will be deemed incomplete and returned to the hospital.

A cost report may be submitted in electronic format with a printed signed page of certification.

(c) Extensions - Cost reports shall be prepared with due diligence and care to prevent the necessity for later submittals of corrected or supplemental information by hospitals. Extensions may be granted only upon approval by Medicaid. The extension request must be in writing, containing the reasons for the request, and must be made prior to the cost report due date. Only one thirty-one day extension per cost reporting year will be granted by the Agency.

(d) Penalties

(1) Late Filing - If a complete uniform cost report is not filed by the due date, the hospital shall be charged a penalty of one hundred dollars per day for each calendar day after the due date. This penalty will not be a reimbursable Medicaid cost. The Commissioner of Medicaid may waive such penalty for good cause shown. Such showing must be made in writing to the Commissioner with supporting documentation. A cost report that is over ninety (90) days late may result in termination of the hospital from the Medicaid program. Further, the entire amount paid to the hospital during the fiscal period with respect to which the report has not been filed will be deemed an overpayment. The hospital will have thirty (30) days to refund the overpayment or submit the cost report after which Medicaid may institute a suit or other action to collect this overpayment amount. No further payment will be made to the hospital until the cost report has been received by Medicaid.

(2) Reporting Negligence

a. Whenever a provider includes a previously disallowed cost on a subsequent year's cost report, if the cost included is attributable to the same type good or service under substantially the same circumstances as resulted in the previous disallowance, a negligence penalty of up to \$10,000 may be assessed at the discretion of the Alabama Medicaid Agency.

b. This penalty shall be in addition to, and shall in no way affect, Medicaid's right to also recover the entire amount of any overpayment caused by the provider's or its representative's negligence.

c. A previously disallowed cost, for the purposes of a negligence penalty assessment, is a cost previously disallowed as the result of a desk review or a field audit of the provider's cost report by

Medicaid and such cost has not been reinstated by a voluntary action of Medicaid. The inclusion of such cost on a subsequent cost report by the provider, or its representative, unless the provider is pursuing an administrative or judicial review of such disallowance, will be considered as negligent and subject to the penalty imposed by this Rule.

(4) Calculation of Medicaid Prospective Payment Rates for Inpatient Claims.

(a) Payments for inpatient services shall be based on a prospective per diem rate determined by the Alabama Medicaid Agency.

(b) Rate Setting Period - The as-filed immediately preceding year's cost report will be used to compute a hospital's prospective inpatient per diem rate each year, except for those hospitals on an operating budget or filing an abbreviated cost report, thus the base period is moving. The cost report shall be desk reviewed and any non-reimbursable items will be removed from reported cost prior to calculating a rate.

(c) Rate Review Period - The per diem rates as calculated by Alabama Medicaid Agency shall be provided to the hospitals prior to the effective date for their information and review.

(d) Per Diem Rate Computation - The total Medicaid cost per diems from the cost report shall be adjusted as follows:

(1) The medical education cost per diem and the capital-related cost per diem are subtracted from the inpatient hospital cost per diem. The remaining cost per diem is separated into Administrative and General (A & G) and non-Administrative and General per diem components. The components will then be multiplied by the applicable hospital industry trend factor (as adjusted by any relevant trend factor variance). The resulting trended A & G cost per diem will be arrayed within hospital grouping in ascending order. The number of psychiatric hospitals will be multiplied by 60% to determine the position of the hospital that represents the 60th percentile. That hospital's cost in each urban grouping will become the ceiling for that grouping. The ceiling or actual cost per day (whichever is less) will be the adjusted A&G per diem cost. Add the adjusted (if applicable) A & G per diem component cost to the non-administrative per diem component cost. Psychiatric hospitals shall be subject to a 60th percentile ceiling.

(2) Capital-Related and Medical Education Costs Per Diem:

a. Adjust capital-related cost for all hospitals per diem by any applicable low occupancy cost per day.

b. Medical Education cost per diem will be multiplied by the hospital industry medical education costs trend factor.

(3) The total Medicaid per diem cost per day, subject to the overall 80th percentile ceiling, shall consist of:

a. Operating costs as adjusted in (1) above.

b. Capital-related costs as determined in (2)(b) above.

(4) The total cost per day will be arrayed in ascending order. The number of hospitals will be multiplied by the applicable percentile to determine the position of the hospital that represents the appropriate percentile. That hospital's cost will be the ceiling.

(5) The lesser of the above determined ceiling or actual cost per day shall be added to any applicable education cost. The sum shall be a hospital's Medicaid per diem rate for the new period.

(e) Adjustments to Rates - The prospectively determined individual hospital's reimbursement rate may be adjusted as deemed necessary by the Agency. Circumstances which may warrant an adjustment include, but are not limited, to:

(1) A previously submitted and/or settled cost report that is corrected. If an increase or decrease in rate results, any retroactive adjustments shall be applied as of the effective date of the original rate. Any such payment or recoupment shall be made by a rate change and/or a lump sum adjustment if the adjustment applies to the current rate period, or by a lump sum adjustment, if the adjustment applies to a prior rate period.

(2) The information contained in the cost report is found to be intentionally misrepresented. Such adjustment shall be made retroactive to the date of the original rate. This situation may be considered grounds to suspend the hospital from participation in the Alabama Medicaid Program.

(3) The hospital experiences extraordinary circumstances which may include, but are not limited to, an Act of God, war, or civil disturbance. Adjustments to reimbursement rates may be made in these and related circumstances.

(4) Under no circumstances shall adjustments resulting from paragraphs (1) through (3) above exceed the ceiling established. However, if adjustments as specified in (1) through (3) so warrant, Medicaid may recompute ceilings.

(5) Low Occupancy Adjustment - A low occupancy adjustment shall be computed for hospitals which fail to maintain the minimum level of occupancy of the total licensed beds. A 70% occupancy factor will apply to hospitals with 100 or fewer beds. An 80% occupancy factor will apply to hospitals with 101 or more beds. Such adjustment will be composed of the fixed cost associated with the excess unoccupied beds and shall be a reduction to Medicaid inpatient cost. It shall be computed in the manner outlined as follows:

#### LOW OCCUPANCY ADJUSTMENT FOR HOSPITALS

$$\text{LOA} = \frac{(1 - \text{TBD}) \text{ACC}}{\text{Y ABD}}$$

TBD = Total Bed Days Actually Used  
During the Cost Report Period,

ACC = Allowable  
Capital Cost

ABD = Available Bed Days Which is  
Determined by Multiplying the  
Total Licensed Beds Times  
the Number of Days in the  
Cost Report Period

Y = Occupancy Factor  
(Y = 70% 100 beds or less

(Y = 80% 101 beds or more

**Author:** Keith Boswell, Director, Provider Audit/Reimbursement.

**Statutory Authority:** State Plan, Title XIX, Social Security Act, 42 C.F.R. Section 401, et seq.

**History:** Effective June 9, 1986. **Amended:** Emergency Rule filed and effective September 2, 1010. **Amended:** filed September 20, 2010; effective December 17, 2010. **Amended:** Emergency Rule filed and effective October 1, 2011. Filed September 23, 2011. **Amended:** Filed October 20, 2011; effective January 16, 2012.