DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: 0 4 — 0 0 7

2. STATE: RI

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE: 09/01/04

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR 447.253

7. FEDERAL BUDGET IMPACT:
a. FFY 2004 $ 311,387
b. FFY 2005 $ 3,693,296

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19D
Principles of Reimbursement

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
Attachment 4.19D
Principles of Reimbursement

10. SUBJECT OF AMENDMENT:
Principles of Reimbursement

11. GOVERNOR'S REVIEW *(Check One)*:

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☒ OTHER, AS SPECIFIED:
See attached letter

12. SIGNATURE OF STATE AGENCY OFFICIAL: Ronald Lebel

13. TYPED NAME: Ronald Lebel

14. TITLE: Acting Director

15. DATE SUBMITTED: 6/30/04

16. RETURN TO:
Tim A. Kemmy
Department of Human Services
600 New London Ave, Bldg. #57
Cranston, RI 02920

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: JUL - 1 2004

18. DATE APPROVED: SEP 14 2004

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: SEP - 1 2004

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME: Carmen Keller

22. TITLE: DD Deputy Director, CMSO

23. REMARKS:

FORM HCFA-179 (07-92)

Instructions on Back

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DEPARTMENT OF HUMAN SERVICES

THE AIME J. FORAND BUILDING

600 NEW LONDON AVENUE

CRANSTON, RI 02920

PRINCIPLES OF REIMBURSEMENT

FOR

NURSING FACILITIES

EFFECTIVE SEPTEMBER1, 2004

PRINCIPLES OF REIMBURSEMENT

TN 04-007 Approval date SEP 14 2004 Effective 09/01/2004

MEDICAID
PRINCIPLES OF REIMBURSEMENT
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PRINCIPLES OF REIMBURSEMENT

APPLICABLE FEDERAL AND STATE LAWS

Legal Basis for Program

The Rhode Island Medical Assistance Program was established on July 1, 1966, under the provision of Title XIX of the Social Security Act as amended by Public Law 89-97 which was enacted by the Congress on July 30, 1965. The enabling State Legislation is to be found in Title 40, Chapter 8 of the Rhode Island General Laws, 1956, as amended.

The Powers of the Director

Rhode Island General Laws 40-8-13 provides that the Director of the Department of Human Services, shall make and promulgate rules, regulations, and fee schedules, for the proper administration of the Medical Assistance Program, and to make the Department's State Plan for Medical Assistance conform to the provisions of the Federal Social Security Act.

Penalties for Misrepresentation or Fraudulent Acts

Penalties for misrepresentation or fraudulent acts involving this program are covered by both Section 1909 (a) of the Social Security Act, and Sections 11-41-3, 11-41-4, 40-8.2-3, 40-8.2-4 and 40-8.2-7 of the Rhode Island General Laws and any other applicable statutes. These criminal penalties are in addition to civil actions for damages, recoveries of overpayments, injunctions to prevent continuation of conduct in violation of Chapter 40-8.2,

as well as suspension or debarment from participation in the program by state or federal

authorities.

II

INTRODUCTION

It should be noted that commencing with the 1978 calendar year, the Rhode Island Medical Assistance Program began to make payment to participating facilities on a prospective basis.

Starting on October 1, 2003 the Department will begin to phase in provisions for rate reform to be completed on or before October 1, 2005. This rate reform will include the following elements:

Annual base years from every three years.

Four cost centers from seven cost centers.

Establishment of new cost center ceilings.

Re-array of costs of all facilities in the Direct Labor Cost Center (combined Labor Related and O.B.R.A. effective October 1, 2003) every three years.

Re-array of costs of all facilities in the Other Operating Cost Center (combined All Other and Management Cost Centers effective October 1, 2005) every three years.

Establishment of a Fair Rental System to replace the Other Property Related Cost Center effective September 1, 2004.

Establishment of a Pass Through Cost Center (combined Fixed Property, Energy and Insurance from the All Other Cost Center effective October 1, 2003) with no cost center ceiling.

This per diem reimbursement rate will represent full and total payment for services provided and, except for changes as a result of an audit of the facility's base year, appeal period or direct labor cost interim adjustment payment, will not be subject to a retrospective adjustment to reflect increases or decreases in actual costs.

RECORDS RETENTION AS PROVIDED FOR BY THE STATUTE OF LIMITATIONS (12-12-17)

Each provider of long term care services participating in the Title XIX Medical Assistance Program in accordance with the provisions of these Principles of Reimbursement will maintain within the State of Rhode Island all original records or hard copies of records and data necessary to support the accuracy of the entries on the annual BM-64 Cost Report. However, original invoices, canceled checks, contracts, minutes of board of directors meetings and any other material used in the preparation of the annual cost report must be retained in Rhode Island for at least ten (10) years following the month in which the cost report to which the materials apply is filed with the State Agency as required by the Statute of Limitation. Each provider will make available upon request such records and all other pertinent records to representatives of the State Agency, representatives of the Federal Department of Health and Human Services, and the State's Medicaid Fraud Unit within the State's Attorney General Office.

The State Agency will maintain all cost reports submitted by providers and all audit reports prepared by the Agency for at least ten (10) years after the month in which the cost report was filed by the provider or at least ten (10) years after the month in which the audit was conducted.

These Principles of Reimbursement are implemented in accordance with the appropriate provisions of the State's Administrative Procedures Act.

IV

The State will pay to participating providers of long term care facility services who furnish services in accordance with the requirements of the Principles of Reimbursement the amount determined for services furnished by the provider under said Principles of Reimbursement.

If an overpayment to a participating provider of long term care services is identified, repayment will either be made by direct reimbursement or by offsetting future payments to the provider. Such repayment may include interest charges on the overpayment amount as provided for by Section 40-8.2-22 of the Rhode Island General Laws.

GENERAL

REPORTING

Reasonable Costs

The provision of Nursing Facility Care Services to Medicaid recipients is provided only to those individuals who are eligible for nursing facility services in accordance with Medicaid regulations relating to resources and income. Consequently, the cost of services for those individuals with limited income and resources must be reasonable. The Department of Human Services shall have the discretion to determine through its review of submitted costs, and in accordance with these principles, what constitutes reasonable and allowable cost.

Not all reasonable and allowable costs must be reimbursed. These Principles of Reimbursement, through application of rate ceilings, provide for payment of Nursing Facility Care services under the Medicaid Program on a prospective basis through rates

that are reasonable and adequate to meet costs that must be incurred by efficiently and economically operated nursing facilities to provide services in conformance with state and federal laws, regulations, and quality and safety standards. Reasonable costs shall mean those cost of an individual facility for items, goods and services which, when compared, will not exceed the costs of like items, goods and services of comparable facilities in license and size. Reasonable costs include the ordinary, necessary and proper costs of providing acceptable health care subject to the regulations and limits contained herein.

Participants in the Medicaid program are expected to establish operating practices which assure that costs do not exceed what a prudent and cost-conscious buyer pays for a given item or service. Where it is determined that reported costs exceed those levels and in the absence of proof that the situation was unavoidable, the excessive costs will be disallowed.

In the absence of specific definitions and/or elements of allowable and disallowable costs that may not be contained herein, the Rules and Regulations of Federal Medicare - Title XVIII will prevail.

The State reserves the right to make determinations of allowable costs in areas not specifically covered in the Principles or in the Rules and Regulations of Federal Medicare - Title XVIII.

Upper Limits

In no case may payment exceed the facility's customary charges to the general public or the federal upper payment limit for such services. The Upper Payment Limit is based on reasonable cost as is our payment.