

**HOUSE BILL NO. 155**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**EIGHTEENTH LEGISLATURE - FIRST SESSION**

**BY REPRESENTATIVE G.DAVIS, Brice, Olberg, Nordlund**

**Introduced: 2/15/93**

**Referred: Health, Education & Social Services, Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to audits of health facilities."

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 \* **Section 1.** AS 47.07.070 is amended by adding a new subsection to read:

4 (g) Unless a facility agrees to the use of other adjustments or rate revisions,  
5 the department, in setting a prospective rate of payment under this section, may use  
6 only final audit adjustments under AS 47.07.084 - 47.07.088 for which there is no  
7 formal administrative hearing or other administrative or judicial review pending.

8 \* **Sec. 2.** 47.07.074 is amended by adding a new subsection to read:

9 (b) Under procedures set out in AS 47.07.082 - 47.07.096, the department may  
10 audit the financial records of a health facility and other documents relating to the  
11 calculation of medical assistance payment rates to

12 (1) determine the accuracy of information used to set a prospective rate  
13 of payment to the facility; and

14 (2) ensure compliance by the facility and by the department with this

1 chapter and with regulations adopted under this chapter.

2 \* **Sec. 3.** AS 47.07 is amended by adding new sections to read:

3 **Sec. 47.07.082. PRELIMINARY AUDIT PROCEDURES.** (a) Within 120  
4 days after the end of the health facility's fiscal year or within whatever additional time  
5 is granted by the department at the request of the facility, a health facility shall submit  
6 to the department its year-end report, consisting of its Medicare cost report, an audited  
7 financial statement, and other reasonable information specified by the department.

8 (b) Within 30 days after the department receives a year-end report under (a)  
9 of this section, the department shall conduct a preliminary review of the facility's  
10 report and determine whether a field audit or a desk audit will be conducted of the  
11 facility.

12 **Sec. 47.07.084. DESK AUDIT PROCEDURES.** (a) If the department  
13 determines under AS 47.07.082(b) that a desk audit will be conducted, it shall use the  
14 following procedures:

15 (1) within 30 days after the department's receipt of the facility's year-  
16 end report, the department shall notify the facility in writing that it intends to conduct  
17 a desk audit and shall submit to the facility in writing any questions the department  
18 has regarding the year-end report;

19 (2) within 30 days after receiving the department's questions under (1)  
20 of this subsection, the facility may submit its response to the department in writing;

21 (3) within 30 days after the deadline for submission of the written  
22 response from the facility under (2) of this subsection, the department shall issue its  
23 preliminary desk audit report;

24 (4) within 30 days after it receives the preliminary desk audit report  
25 under (3) of this subsection, a facility may submit a written response to the  
26 department;

27 (5) within 30 days after the deadline for submission of the facility's  
28 response to the preliminary desk audit report, the department shall issue a final desk  
29 audit report;

30 (6) within 30 days after it receives a final desk audit report under (5)  
31 of this subsection, a facility that is dissatisfied with the report may request a formal

1 administrative hearing.

2 (b) If, in the course of conducting a desk audit under this section, the  
3 department concludes that it would be advisable to conduct a field audit, the  
4 department may initiate a field audit under AS 47.07.086.

5 Sec. 47.07.086. FIELD AUDIT PROCEDURES. If the department determines  
6 under AS 47.07.082(b) or 47.07.084(b) that a field audit will be conducted, it shall use  
7 the following procedures:

8 (1) within 30 days after the department's receipt of the facility's year-  
9 end report under AS 47.07.082, the department shall notify the facility in writing that  
10 it intends to conduct a field audit and shall submit to the facility in writing any  
11 questions the department has regarding the year-end report;

12 (2) within 30 days after receiving the department's questions under (1)  
13 of this section, the facility may submit its response to the department in writing;

14 (3) the department shall give the facility written notice of the date the  
15 field audit will begin; the department may not begin a field audit until at least 10 days  
16 after the facility received the notice, except with the consent of the facility;

17 (4) the department shall complete the field audit within 60 days after  
18 the department received the facility's year-end report under AS 47.07.082;

19 (5) before beginning a field audit, the lead auditor shall conduct an  
20 entrance conference with a representative of the facility and shall fully inform the  
21 facility of the audit process and the areas of focus;

22 (6) promptly upon completion of the field audit, the lead auditor shall  
23 conduct an exit conference; at the exit conference, the department shall provide the  
24 facility with a list in writing of all proposed audit adjustments and a list in writing of  
25 any outstanding issues; upon request by the facility, the department shall provide to  
26 the facility copies of the audit work papers;

27 (7) within 20 days after the exit conference under (6) of this section,  
28 the facility may submit additional information to the department to be considered in  
29 connection with the audit;

30 (8) within 30 days after completion of the field audit, the department  
31 shall issue its preliminary field audit report;

1 (9) within 30 days after it receives the preliminary field audit report  
2 under (8) of this section, a facility may submit a written response to the department;

3 (10) within 30 days after the deadline for submission of the facility's  
4 response to the preliminary field audit report under (9) of this section, the department  
5 shall issue a final field audit report;

6 (11) within 30 days after it receives a final field audit report under (10)  
7 of this section, a facility that is dissatisfied with the report may request a formal  
8 administrative hearing.

9 Sec. 47.07.087. TIME DEADLINE FOR FINAL AUDIT REPORTS. The  
10 department shall complete a final field audit report and serve it on the facility so that  
11 it is received by the facility within 165 days after the date the facility's year-end report  
12 was due under AS 47.07.082 or the date the department received the year-end report,  
13 whichever was later. This time limit applies to any final field audit report, regardless  
14 of whether the audit is a desk audit under AS 47.07.084, a field audit under  
15 AS 47.07.086, or a field audit that began as a desk audit under AS 47.07.084.

16 Sec. 47.07.088. CONTENTS OF AUDIT REPORTS. Preliminary and final  
17 audit reports for desk audits and field audits must each include

18 (1) criteria that form the basis of the audit, including the statutory,  
19 regulatory, and contractual bases of the criteria;

20 (2) findings describing noncompliance by the facility or the department  
21 with applicable statutes, regulations, or contractual requirements and calculation or  
22 reporting errors;

23 (3) a statement of causation describing the reasons for any  
24 noncompliance or errors cited in the findings;

25 (4) specific audit adjustments based on the findings, except that the  
26 department may waive adjustments that are not material;

27 (5) a revised cost report if the audit report identifies changes that  
28 should be made in the cost report; and

29 (6) attachments, including all written responses and comments  
30 submitted by the facility.

31 Sec. 47.07.090. PERFORMANCE OF AUDITS. The audit unit within the

1 department shall perform the audit functions described in AS 47.07.082 - 47.07.088.  
2 At the request of and under the direction of the audit unit, audit work under  
3 AS 47.07.082 - 47.07.088 may also be performed by a contractor or by the  
4 commission, but all audit work shall be performed in compliance with AS 47.07.082 -  
5 47.07.088.

6 Sec. 47.07.092. FACILITY'S REQUEST FOR AUDIT ADJUSTMENTS. (a)  
7 A facility may submit to the department a written request that the department include  
8 specified audit adjustments in the audit results under AS 47.07.084 - 47.07.088. The  
9 facility may submit a request under this section with its year-end report under  
10 AS 47.07.082 or at any time up to 120 days after either the date the year-end report  
11 is due or the date the department received the year-end report, whichever was later.

12 (b) The department shall

13 (1) include the adjustments requested under (a) of this section in the  
14 final audit report under AS 47.07.084 - 47.07.088; or

15 (2) state in the final audit report the basis for not including the  
16 requested adjustments.

17 (c) If the department fails to comply with the 165-day time limit in  
18 AS 47.07.087, the facility's request for specified adjustments under this section is  
19 considered denied on the 165th day, and within 30 days after the 165th day, the  
20 facility may request a formal administrative hearing on the denial of the request.

21 (d) If the department includes the requested adjustments in the final audit  
22 report under AS 47.07.084 - 47.07.088 or if it is determined by a final unappealed  
23 decision in an administrative or judicial proceeding that the requested adjustments  
24 should have been included in the final audit report, then any resulting rate revision  
25 shall be applied to that rate year and to any affected subsequent fiscal period of the  
26 facility.

27 Sec. 47.07.094. AUTHORIZED USE OF AUDIT RESULTS. (a) The  
28 department may not use results of audits conducted under this chapter to recalculate  
29 or revise medical assistance payment rates for fiscal periods before the rate year.  
30 Except as otherwise provided in this chapter, the department shall use the results of  
31 audits conducted under this chapter in the calculation of medical assistance payment

1 rates for the rate year.

2 (b) Except as otherwise provided in this chapter, if the department has failed  
3 to comply with the 165-day time limit in AS 47.07.087, the department may not use  
4 the audit results in the calculation of medical assistance payment rates for

5 (1) the rate year; or

6 (2) for any fiscal period that commences fewer than 80 days after the  
7 facility receives the final audit report.

8 **Sec. 47.07.096. IMPLEMENTATION OF AUDIT AND RATE DECISIONS.**

9 (a) Unless otherwise ordered by a court, the department shall promptly implement the  
10 results of a final, unappealed decision issued in an administrative or judicial  
11 proceeding in which a facility has sought review of an audit result or a rate.

12 (b) Within 60 days after a decision described in (a) of this section is issued,  
13 the department shall revise the challenged audit result or rate in accordance with the  
14 decision and shall also revise affected rates for subsequent periods.

15 (c) Within the same 60-day period described in (b) of this section, the  
16 department shall calculate the lump-sum adjustment necessary to implement the revised  
17 audit result or revised rates and shall give the facility written notice of the revised  
18 audit result, the revised rates, and the related lump-sum adjustment.

19 (d) Amounts owed to the department by a facility as the result of an  
20 adjustment under (c) of this section shall be repaid, at the option of the facility, either  
21 by a reduction in the next prospective rate of payment or by 12 equal monthly  
22 payments starting with the first month of the facility's next fiscal year. Amounts owed  
23 to a facility by the department as the result of an adjustment under (c) of this section  
24 shall be repaid, at the option of the facility, by an increase in the next prospective rate  
25 of payment or by 12 equal monthly payments starting with the first month of the  
26 facility's next fiscal year.

27 (e) A facility that is dissatisfied with the rate revision or lump-sum adjustment  
28 calculated by the department under (c) of this section may request a formal  
29 administrative hearing within 30 days after the health facility receives written notice  
30 of the rate revision or lump-sum adjustment. A rate revision or adjustment challenged  
31 under this subsection may not be implemented until a final, unappealed administrative

1 or judicial decision has been issued.

2 \* Sec. 4. AS 47.07.180 is amended by adding a new subsection to read:

3 (e) The commission shall calculate two proposed rates under this subsection.  
4 One rate must incorporate all final audit adjustments under AS 47.07.084 -  
5 AS 47.07.088 and other adjustments and rate revisions, consistent with this chapter,  
6 that have been agreed to by the department and the facility. The other rate, which the  
7 commission shall propose to the department for use under AS 47.07.070, shall be the  
8 basis for the rate adopted by the department. This rate must incorporate the final audit  
9 adjustments under AS 47.07.084 - 47.07.088 for which a formal administrative hearing  
10 or other administrative or judicial review is not pending and other adjustments and rate  
11 revisions, consistent with this chapter, that have been agreed to by the department and  
12 the facility.

13 \* Sec. 5. AS 47.07.900 is amended by adding new paragraphs to read:

14 (18) "desk audit" means an audit conducted without being at the facility  
15 being audited;

16 (19) "facility" means a health facility;

17 (20) "field audit" means an audit conducted at the facility being  
18 audited;

19 (21) "rate year" means the second fiscal year of a health facility that  
20 begins after the end of the fiscal year that is the subject of an audit under  
21 AS 47.07.082 - 47.07.096.