

Rule No. 560-X-42-.03 Definitions

(1) Accrual Method of Accounting - Revenues must be allocated to the accounting period in which they are earned and expenses must be charged to the period in which they are incurred. This must be done regardless of when cash is received or disbursed.

(2) Cash Basis of Accounting - Revenues and expenditures are recognized when cash is received and disbursed.

(3) Adjusted Reported Costs - The net reported costs from Schedule B, Column 3, of the cost report adjusted, as required, for unallowable costs, and cost recovery items.

(4) Medicaid - The Alabama Medicaid Agency.

(5) Medicaid Reimbursement Principles - A combination of generally accepted accounting principles, principles included in the State Plan, Medicare (Title XVIII) Principles of Reimbursement, and procedures and principles promulgated by Medicaid to provide reimbursement of provider costs which must be incurred by efficiently and economically operated ICF/MRIID facility.

(6) Allowable Costs - The costs of a provider of ICF/MRIID services which must be incurred by an efficiently and economically operated facility and which are not otherwise disallowed by the reimbursement principles established under and incorporated into this Chapter.

(7) Approved Bed Rate - The Medicaid rate paid to facilities for approved beds. (See Section 4 for computation.)

(8) Chapter - This Chapter of the Alabama Medicaid Agency Administrative Code.

(9) Class - Grouping formed according to type of facility. Medicaid classes to which this Chapter applies are: (1) Institutionally based, larger than 15 beds, (2) Institutionally based with at least four (4) but no more than fifteen (15) beds.

(10) Cost Recovery Item - Income generated by an element of allowable cost.

(11) Facility - Any structure licensed by the State of Alabama for the purpose of providing long-term care to the aged, ill, or disabled.

(12) Fair Market Value - The bona fide price at which an asset would change hands or at which services would be purchased between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts.

(13) Fiscal Year - The 12 month period upon which providers are required to report their costs, being the period from October 1st through September 30th, also called the "reporting period."

(14) HCFA - The Health Care Financing Administration, an agency of the U.S. Department of Health and Human Services.

(15) HIM-15 - The (publication) title of the Medicare Provider Reimbursement Manual, a publication of HCFA. All references to this manual or to Title XVIII Principles of Reimbursement in Chapter 42 are for the "Retrospective" Reasonable Cost Reimbursement Principles and not those of the 10-1-83 Prospective Medicare System.

(16) Hold Bed Days - The period during which a provider receives payment from a source other than Medicaid for the reservation of a bed in a long term care facility for a particular resident who is not in the facility. Hold bed days do not include therapeutic leave covered by Medicaid.

(17) Home Office Costs - See Rule No. 560-X-42-.17 for in-depth discussion and treatment of home office costs.

(18) Imprest System - A system in which any fund is replenished by writing a check equal to the payments which have been made out of the fund. Examples of such funds are petty cash and payroll.

(19) Interest - Cost incurred for the use of borrowed funds.

(a) Necessary Interest - Incurred to satisfy a financial need of the provider on a loan made for a purpose directly related to resident care. Necessary interest cannot include loans resulting in excess funds or investments.

(b) Proper Interest - Must be necessary as described above, incurred at a rate not in excess of what a prudent borrower would have to pay in the money market at the time the loan was made, and incurred in connection with a loan directly related to resident care or safety.

(20) Interim Per Diem Rate - A rate intended to approximate the provider's actual or allowable costs of services furnished until such time as actual allowable costs are determined.

(21) Intermediate Care Facility for the Mentally Retarded (ICF/~~MRIID~~) - That type of facility which fully meets all requirements for licensure under State law to provide on a regular basis, health related care and services to individuals who do not require the degree of care and treatment which a hospital or skilled nursing facility is designed to provide, but who, because of their mental or physical condition, require care and services (above the level of room and board) which can be made available to them only through institutional facilities. The primary purpose of such institutions is to provide health and/or rehabilitative services for mentally retarded individuals.

(22) Medicaid Occupancy - The percent of the total residents in an ICF/~~MRIID~~ facility who have been certified eligible for Medicaid benefits.

(23) Medicaid Per Diem Rate - The amount paid by Medicaid for ICF/~~MRIID~~ services provided to Medicaid residents for a one-day period.

(24) Necessary Function - A function being performed by an employee which, if that employee were not performing it, another would have to be employed to do so, and which is directly related to providing ICF/MRIID services.

(25) Proprietary Provider - Provider, whether a sole proprietorship, partnership, or corporation, organized and operated with the expectation of earning profit for the owners as distinguished from providers organized and operated on a non-profit basis.

(26) Provider - A person, organization, or facility who or which furnishes services to residents eligible for Medicaid benefits.

(27) Prudent Buyer Concept - The principle of purchasing supplies and services at a cost which is as low as possible without sacrificing quality of goods or services received.

(28) Related - The issue of whether the provider and another party are "related" will be determined under the HIM-15 rules defining "related parties."

(29) Reasonable Compensation - Compensation of officers and/or employees performing a necessary function in a facility in an amount which would ordinarily be paid for comparable services by a comparable facility.

(30) Reasonable Costs - Necessary and ordinary cost related to resident care which a prudent and cost-conscious businessman would pay for a given item or service.

(31) Resident Day - Any day that a bed is either occupied or is not available for immediate occupancy by a newly admitted resident, but only if some payment and/or promise of payment is received either at the full per diem or a reduced rate.

(32) 90th Percentile - The cost ceilings applied to the cost per resident day for Medicaid reimbursement is derived as follows:

(a) The ICF/MRsIIDs are divided into their respective classes and are listed in ascending order based on their respective cost per resident day.

(b) The number of homes in each class is multiplied by 90% to determine the position of the ICF/MRIID facility that represents the 90th percentile. Thus, 90% of the homes in each class will have costs per resident that are equal to or less than that of the 90th percentile home. Likewise, the remaining homes will have costs per resident day in excess of the costs of the 90th percentile home.

(33) State Plan - The State Plan promulgated by the State of Alabama under Title XIX of the Social Security Act, Medical Assistance Program.

(34) Straight Line Method of Depreciation - Depreciation charges spread equally over the estimated life of the asset so that at the expiration of that period the total cost that was determined to be recoverable through such charges has been recovered.

(35) Unallowable Costs - All costs incurred by a provider which are not allowable under the Medicaid Reimbursement Principles.

(36) Use Allowance - In lieu of depreciation, state owned and operated facilities may claim a use allowance. The annual use allowance for building and improvements shall be two percent of acquisition cost. The annual use allowance for major movable equipment shall be six and two-thirds percent of acquisition cost.

(37) Unapproved Bed Rate - The Medicaid rate paid to ICF/~~MRIID~~ facilities for unapproved beds (See Rule No. 560-X-42-.04 for computation.)

(38) Net Lease - A lease in which the tenant pays all or a substantial part of the cost of maintaining and operating the facility; (e.g., maintenance costs, insurance, and real estate taxes).

Author: Robin Arrington, Associate Director, LTC Provider/Recipient Services Unit

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

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

Amended: Filed March 21, 2017