

APA-1

TRANSMITTAL SHEET FOR
NOTICE OF INTENDED ACTION

Control No: 560 Department or Agency: Alabama Medicaid Agency

Rule No: 560-X-42-.07

Rule Title: Management and Administrative Costs

_____ 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

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.

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: 3/21/2017

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ALABAMA MEDICAID AGENCY

NOTICE OF INTENDED ACTION

RULE NO. & TITLE: 560-X-42-.07 Management and Administrative Costs

INTENDED ACTION: Amend 560-X-42-.07

SUBSTANCE OF PROPOSED ACTION: The above referenced rule is being amended to change ICF/MR to ICF/IID.

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. 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 May 5, 2017.

CONTACT PERSON AT AGENCY: Stephanie Lindsay, Administrative Secretary, Alabama Medicaid Agency, 501 Dexter Avenue, Post Office Box 5624, Montgomery, Alabama 36103-5624. Phone: (334) 242-5833.



Stephanie McGee Azar
Commissioner

Rule No. 560-X-42-.07 Management and Administrative Costs

(1) Costs of a management or administrative nature, including but not limited to those costs outlined in Rule No. 560-X-42-.07(3), will be reported as such on the Medicaid Cost Report. Salaries of administrative personnel which would duplicate employee salary expenses in other cost centers cannot be allocated to such non-administrative cost centers. Administrative compensation is limited to 10% of net allowable other cost, plus use allowance (if applicable).

(2) Customarily, owner compensation results from a distribution of the profits. However, when the owner provides a necessary service to the facility, and he/she can justifiably be compensated at a reasonable rate, then that owner compensation is an allowed cost. "Reasonable compensation" must meet the criteria of being paid to an employee who performs a necessary function in a facility and must be in an amount which would ordinarily be paid for comparable services in a comparable facility. To be "necessary," a function must be one that if that employee were not performing it, another would have to be employed to do so, and additionally, the function must be directly related to providing ICF/MR/IIID services.

(3) Examples of Allowable Management and Administrative Costs include, but are not limited to:

- (a) Salaries and Bonuses
 - 1. Administrator
 - 2. Assistant Administrator
 - 3. Accountant
 - 4. Bookkeeper
 - 5. Computer Operator
 - 6. Medical Records Clerk
 - 7. Personnel Officer
 - 8. Secretary
 - 9. Typist
 - 10. Clerks
 - 11. Receptionist
 - 12. Telephone Operator Switchboard
- (b) Legal Fees (Legal fees related to resident care, except those specified in Rule No. 560-X-42-.19)
- (c) Outside Accounting and Auditing
 - 1. Routine Bookkeeping
 - 2. Preparation of cost reports
 - 3. Auditing and related statements
- (d) Data Processing
 - 1. Owned
 - 2. Rented
 - 3. Outside purchased service
- (e) Professional Development
- (f) Supplies
 - 1. General administration
 - 2. Medical records

- (g) Telephone Expense - Subject to limitations in Rule No. 560-X-42-.19(u).
- (h) License
 - 1. Business
 - 2. Administrator's
- (i) Insurance
 - 1. Professional Malpractice (limited to provisions in HIM-15, 2163.3)
- (j) Employee Benefits - Administrative Employees
 - 1. Group Life
 - 2. Group Health
 - 3. FICA
 - 4. SUI
 - 5. FUTA
 - 6. Deferred Compensation Plans, Pension and Profit Sharing, approved by IRS
 - 7. Workmans Compensation Insurance (Non-State owned and operated facilities)
- (k) Advertising
 - 1. Telephone, local (not in excess of 5 square inches in yellow pages)
 - 2. Employment ads
 - 3. Public Relations ads (not in excess of \$100.00 per fiscal year).
- (l) Postage
- (m) Management Home Office Cost (chain operation)
 - 1. Management and administrative salaries and benefits.
 - 2. All building costs, including but not limited to:
 - (i) Insurance
 - (ii) Rent
 - (iii) Lease
 - (iv) Utilities
 - (v) Depreciation
 - (vi) Interest
- (n) Interest Expense on working capital loans, subject to limitations contained in Rules No. 560-X-42-.08 and 560-X-42-.19(3)(q).
- (o) Management fees not exceeding the cost of the provider of the services and not excluded under Rule No. 560-X-42-.19(3).

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.

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

Amended: Filed March 21, 2017