

APA-1

TRANSMITTAL SHEET FOR
NOTICE OF INTENDED ACTION

Control No: 560 Department or Agency: Alabama Medicaid Agency

Rule No: 560-X-42-17

Rule Title: Chain Operations

_____ 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-.17 Chain Operations

INTENDED ACTION: Amend 560-X-42-.17

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-.17 Chain Operations

(1) A chain organization consists of a group of two or more ICF/~~MR~~IID facilities which are owned, leased, or through any other device controlled by related organizations or individuals. The home office of a chain organization is not a provider in itself; therefore, its costs may not be directly reimbursed by the program. The home office organization will be treated as a "related party" to participating ICF/~~MR~~IID facilities for purposes of this Chapter. Only the home office's actual cost of providing management services is permitted to be allocated to the providers and then only to the extent that they do not duplicate services already provided in the ICF/~~MR~~IID facility. Costs that would not be allowable if directly claimed by a provider will not be allowed as an allocation from a home office.

(2) It is not considered appropriate for the taxpayers of Alabama to pay more for the operation of an ICF/~~MR~~IID facility owned or operated by a chain than would be paid for an individually operated ICF/~~MR~~IID. A chain operated facility is expected to be more efficient and economical to operate than an individually operated facility.

(3) If a home office provides centralized laundry, maintenance, and purchasing services to facilities, the actual costs of providing these services will be charged to the facilities to which the services are provided. The facility will report these costs in the appropriate cost center on its cost report.

(4) Maintenance, Central Purchasing, and Laundry

(a) Examples of home office costs associated with providing these services include:

1. Maintenance
 - (i) Salaries and Benefits
 - (ii) Supplies
 - (iii) Materials
 - (iv) Travel expense subject to limitations contained in Rule 560-X-42-.10
2. Central Purchasing
 - (i) Salaries and Benefits
 - (ii) Goods
 - (iii) Supplies
 - (iv) Materials
 - (v) Travel expense subject to limitations contained in Rule 560-X-42-.10
 - (vi) Building Costs
 - (I) Insurance
 - (II) Rent
 - (III) Lease
 - (IV) Utilities
 - (V) Depreciation
 - (VI) Interest
3. Laundry
 - (i) Salaries and Benefits
 - (ii) Supplies
 - (iii) Materials

- (iv) Travel expense subject to limitations contained in Rule No. 560-X-42-.10
- (v) Building costs
 - (I) Insurance
 - (II) Rent
 - (III) Lease
 - (IV) Utilities
 - (V) Depreciation
 - (VI) Interest

(b) Allowable salaries and benefits for these services will be limited to persons directly involved in performing such services. Allowable costs, as defined in this section, which can be identified to a specific member of the chain will be directly allocated to the proper cost center of that facility. The allowable costs not directly allocable should be allocated among the providers (and to any non-provider activities in which the home office may be engaged) on a basis designed to equitably allocate the costs over the chain components or activities receiving the benefits from the costs and in a manner reasonably related to the services received by the entities in the chain. The costs of allocated building space must be used exclusively for these purposes and based on percentage of usage of total square feet. If a separate building is utilized, separate utility meters must be utilized.

(5) Administrative Costs

All costs incurred in maintaining a home office other than maintenance, central purchasing, and laundry costs will be classified as Administrative and Management costs and will be subject to the limitations contained in Rule No. 560-X-42-.07. Allocation of these costs to a facility will be on the basis of resident days.

(6) Equity Capital

See Rule No. 560-X-42-.13 of this Code.

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