

Act No. 612  
Public Acts of 2018  
Approved by the Governor  
December 28, 2018  
Filed with the Secretary of State  
December 28, 2018  
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**STATE OF MICHIGAN  
99TH LEGISLATURE  
REGULAR SESSION OF 2018**

Introduced by Senators Stamas, MacGregor and Hansen

# **ENROLLED SENATE BILL No. 1038**

AN ACT to amend 1939 PA 280, entitled “An act to protect the welfare of the people of this state; to provide general assistance, hospitalization, infirmary and medical care to poor or unfortunate persons; to provide for compliance by this state with the social security act; to provide protection, welfare and services to aged persons, dependent children, the blind, and the permanently and totally disabled; to administer programs and services for the prevention and treatment of delinquency, dependency and neglect of children; to create a state department of social services; to prescribe the powers and duties of the department; to provide for the interstate and intercounty transfer of dependents; to create county and district departments of social services; to create within certain county departments, bureaus of social aid and certain divisions and offices thereunder; to prescribe the powers and duties of the departments, bureaus and officers; to provide for appeals in certain cases; to prescribe the powers and duties of the state department with respect to county and district departments; to prescribe certain duties of certain other state departments, officers, and agencies; to make an appropriation; to prescribe penalties for the violation of the provisions of this act; and to repeal certain parts of this act on specific dates;” (MCL 400.1 to 400.119b) by adding section 111m.

*The People of the State of Michigan enact:*

Sec. 111m. (1) As used in this section and section 111n:

(a) “Audit” means a review of the financial records used to complete a Medicaid cost report for compliance with allowable cost principles and other policy contained in the Medicaid provider manual. Audit includes, but is not limited to, a limited-scope audit or an on-site audit. An audit can be of limited or full scope.

(b) “Completed audit” means issuance of the preliminary summary of audit adjustment notice. Completed audit includes the exit meeting with the nursing facility provider.

(c) “Medicaid cost report” or “cost report” means the cost of care reports submitted annually by a nursing facility that is participating in the Medicaid program at a utilization rate on average of at least 6 Medicaid residents, on department cost reporting forms. A nursing facility provider with less than 6 Medicaid residents per day must file a “less than complete” cost report and is not subject to audit.

(d) “Settlement” means the process of reconciling a nursing facility’s interim payments based on filed cost report data to audited cost report data. A final settlement is computed after the cost report has been audited.

(2) The department shall accept a Medicaid cost report filed by a nursing facility not more than 60 calendar days after that nursing facility has filed the cost report.

(3) The department shall ensure that an audit of a Medicaid cost report filed by a nursing facility performed by the department is completed not more than 21 months after the final acceptance of the cost report. The settlement for an audit shall be delivered to the provider not more than 60 calendar days after the provider accepts the final summary of audit adjustments. If a provider fails to release the records necessary to verify a specific cost report expense within 15 business days of a written request from the department, the department may disallow the cost associated with the

item in question. The time period described in this subsection does not include time associated with an appeal or a charge of fraud filed against the provider.

(4) An on-site audit may be performed at an individual nursing facility or at the corporate office if a home office cost report is filed. An on-site audit shall not last more than 30 calendar days per cost report year for an individual nursing facility and not more than 180 calendar days per cost report year for more than 6 commonly owned or controlled nursing facilities, unless the nursing facility agrees to an extended timeline. A limited-scope audit shall be performed in the years an on-site audit is not performed. The time periods described in this subsection must be completed within the 21-month time period described in subsection (3).

(5) A customer satisfaction survey shall be provided to the nursing facilities that have completed audits in the previous quarter.

(6) A nursing facility shall make available to an auditor documentation required in accordance with the Medicaid state plan, the Medicaid provider manual, and the Code of Federal Regulations relating to Medicare or Medicaid. A nursing facility shall enhance utilization of electronic documents and correspondence to exchange information to reduce time and travel required for nursing facility audits.

(7) If an audit is not completed within 21 months as described in subsection (3), the department shall accept the cost report as filed and move to settlement.

(8) The department shall provide auditor education to ensure consistency in application of department policy. The department shall include an ongoing discussion of all audit adjustments to ensure consistency in applying department policy and shall identify and eliminate any inconsistencies between offices with this training.

(9) Not later than 2 years after the effective date of the amendatory act that added this section, the department must finalize all audits and settlements for cost reports that have been filed since before the effective date of the amendatory act that added this section. A cost report described under this subsection that has not been completed by the department within 2 years of the effective date of the amendatory act that added this section must be accepted by the department as filed by the nursing facility, and a cost report settlement must be issued within 60 calendar days after acceptance.

(10) Beginning 2 years after the effective date of the amendatory act that added this section, the department shall provide an annual report to the appropriate stakeholders, including at least 1 representative from each nursing facility provider trade association, on the implementation and results of the cost report audit and settlement process established under this section. The report shall include, but is not limited to, both of the following:

- (a) The number of limited-scope audits, on-site audits, and any other type of audit performed during the reporting period.
- (b) Results of the audit satisfaction surveys and how the department has responded to those surveys.

Enacting section 1. This amendatory act takes effect 180 days after the date it is enacted into law.

This act is ordered to take immediate effect.

Secretary of the Senate

Clerk of the House of Representatives

Approved .....

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Governor