

2021 -- H 6050

LC002160

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2021

A N A C T

RELATING TO HUMAN SERVICES -- MEDICAL ASSISTANCE

Introduced By: Representative June Speakman

Date Introduced: March 01, 2021

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 40-8-19.1 of the General Laws in Chapter 40-8 entitled "Medical
2 Assistance" is hereby amended to read as follows:

3 **40-8-19.1. Nursing facility financial oversight.**

4 (a) On an annual basis, every licensed nursing facility participating in the medical
5 assistance program shall file with the department: ~~a financial statement or other financial~~
6 ~~information acceptable to the department with its annual cost report (BM-64) for the time period~~
7 ~~covered by the cost report that would provide sufficient information for the department to assess~~
8 ~~the facility's financial status.~~

9 (1) A BM-64 cost report; and

10 (2) Audited financial statements including, but not limited to, an income statement, a
11 balance sheet, a cash flow statement, and a statement of shareholders equity, that are prepared:

12 (i) By a certified public accountant who is licensed in the state of Rhode Island; and

13 (ii) In accordance with generally acceptable accounting principles.

14 (b) The department shall, by regulation:

15 ~~(1) Develop, in consultation with the department of health, criteria for the financial~~
16 ~~statements or financial information to be submitted in lieu of the financial statement as required in~~
17 ~~subsection (a);~~

18 ~~(2)~~(1) Develop criteria for reviewing the BM-64 cost reports and financial ~~statement~~
19 statements ~~or financial information submitted~~ and assessing the financial status of facilities to

1 determine if they have sufficient resources to meet operational and financial expenses and to
2 comply with resident care and facility standards; and

3 ~~(3)~~(2) Establish a set of indicators or criteria that would indicate if a facility's financial
4 status is marginal or if a facility is having severe financial difficulties. These criteria shall include,
5 but not be limited to:

- 6 (i) Significant operating losses for two (2) successive years;
- 7 (ii) Frequent requests for advance on Medicaid reimbursements;
- 8 (iii) Unfavorable working capital ratios of assets to liabilities;
- 9 (iv) High proportion of accounts receivable more than ninety (90) days' old;
- 10 (v) Increasing accounts payable, unpaid taxes, and/or payroll-related costs;
- 11 (vi) Minimal or decreasing equity and/or reserves;
- 12 (vii) High levels of debt and high borrowing costs.

13 (c) Whenever a facility's financial status is determined to be marginal or to have severe
14 financial difficulties, the department shall notify the director of the department of health.

15 (d) Special rate appeal pursuant to § 23-17-12.7. The department shall file a state plan
16 amendment with the United States Department of Health and Human Services to modify the
17 principles of reimbursement for nursing facilities, to be effective on October 1, 2005, or as soon
18 thereafter as is authorized by an approved state plan amendment, to assign a special prospective
19 appeal rate for any facility for which, pursuant to § 23-17-12.6, the department of health has
20 appointed an independent quality monitor; the department of health has required to engage an
21 independent quality consultant or temporary manager; and/or the department of health pursuant to
22 § 23-17-12.7 has been required to develop and implement a plan of correction and remediation to
23 address concerns regarding resident care and coincident financial solvency. The special prospective
24 appeal rate shall be assigned for a duration of not less than six (6) months, shall be based upon the
25 additional cost of the independent quality monitor, independent quality consultant, or temporary
26 manager, as the case may be, or the approved spending plan set forth in the plan of correction and
27 remediation, and subject to review-of-cost report, and subsequent extension at the discretion of the
28 department, at six-month (6) intervals for a maximum of eighteen (18) months thereafter. In
29 calculating the prospective per diem, the department shall disregard the cost center ceilings for the
30 direct labor and other operating expense cost centers. The department shall recoup any funds
31 specified in the spending plan that have not been expended.

32 SECTION 2. This act shall take effect upon passage.

EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO HUMAN SERVICES -- MEDICAL ASSISTANCE

1 This act would require that audited financial statements be submitted by nursing homes to
2 ensure better financial reporting.

3 This act would take effect upon passage.

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