

2 **HB 2791** - S COMM AMD

3 By Committee on Health & Human Services

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5 Strike everything after the enacting clause and insert the  
6 following:

7 "**Sec. 1.** RCW 74.46.060 and 1985 c 361 s 6 are each amended to read  
8 as follows:

9 (1) Cost reports shall be prepared in a standard manner and form,  
10 as determined by the department, which shall provide for an itemized  
11 list of allowable costs and a preliminary settlement report. Costs  
12 reported shall be determined in accordance with generally accepted  
13 accounting principles, the provisions of this chapter, and such  
14 additional rules and regulations as are established by the secretary.

15 (2) The records shall be maintained on the accrual method of  
16 accounting and agree with or be reconcilable to the cost report. All  
17 revenue and expense accruals shall be reversed against the appropriate  
18 accounts if not received or paid within one hundred eighty-one days  
19 after the end of the contractor's medicaid cost report period in which  
20 the accrual was made, unless the contractor has documentation of a good  
21 faith billing dispute with the supplier or vendor, in which case this  
22 period may be extended, but only for those portions of the billings  
23 subject to the good faith dispute. Accruals for vacation, holiday,  
24 sick pay, and taxes may be carried for longer periods, provided the  
25 contractor's usual policy and generally accepted accounting principles  
26 are followed.

27 **Sec. 2.** RCW 74.46.105 and 1985 c 361 s 10 are each amended to read  
28 as follows:

29 Cost reports and patient trust accounts of contractors shall be  
30 field audited by the department, either by department staff or by  
31 auditors under contract to the department, in accordance with the  
32 provisions of this chapter. The department when it deems necessary to  
33 assure the accuracy of cost reports may review any underlying financial  
34 statements or other records upon which the cost reports are based. The  
35 department shall have the authority to accept or reject audits which

1 fail to satisfy the requirements of this section or which are performed  
2 by auditors who violate any of the rules of this section. Department  
3 audits of the cost reports and patient trust accounts shall be  
4 conducted as follows:

5 (1) Each year the department will provide for field audit of the  
6 cost report, statistical reports, and patient trust funds, as  
7 established by RCW 74.46.700, of all or a sample of reporting  
8 facilities selected by profiles of costs, exceptions, contract  
9 terminations, upon special requests or other factors determined by the  
10 department.

11 (2) Beginning with audits for calendar year 1983, up to one hundred  
12 percent of contractors cost reports and patient care trust fund  
13 accounts shall be audited: PROVIDED, That each contractor shall be  
14 audited at least once in every (~~three-year~~) five-year period.

15 (3) Facilities shall be selected for sample audits within one  
16 hundred twenty days of submission of a correct and complete cost  
17 report, and shall be so informed of the department's intent to audit.  
18 Audits so scheduled shall be completed within one year of selection.

19 (4) Where an audit for a recent reporting or trust fund period  
20 discloses material discrepancies, undocumented costs or mishandling of  
21 patient trust funds, auditors may examine prior unaudited periods, for  
22 indication of similar material discrepancies, undocumented costs or  
23 mishandling of patient trust funds for not more than (~~two~~) four  
24 reporting periods preceding the facility reporting period selected in  
25 the sample.

26 (5) The audit will result in a schedule summarizing appropriate  
27 adjustments to the contractor's cost report. These adjustments will  
28 include an explanation for the adjustment, the general ledger account  
29 or account group, and the dollar amount. Patient trust fund audits  
30 shall be reported separately and in accordance with RCW 74.46.700.

31 (6) Audits shall meet generally accepted auditing standards as  
32 promulgated by the American institute of certified public accountants  
33 and the standards for audit of governmental organizations, programs,  
34 activities and functions as published by the comptroller general of the  
35 United States. Audits shall be supervised or reviewed by a certified  
36 public accountant.

37 (7) No auditor under contract with or employed by the department to  
38 perform audits in accordance with the provisions of this chapter shall:

1 (a) Have had direct or indirect financial interest in the  
2 ownership, financing or operation of a nursing home in this state  
3 during the period covered by the audits;

4 (b) Acquire or commit to acquire any direct or indirect financial  
5 interest in the ownership, financing or operation of a nursing home in  
6 this state during said auditor's employment or contract with the  
7 department;

8 (c) Accept as a client any nursing home in this state during or  
9 within two years of termination of said auditor's contract or  
10 employment with the department.

11 (8) Audits shall be conducted by auditors who are otherwise  
12 independent as determined by the standards of independence established  
13 by the American institute of certified public accountants.

14 (9) All audit rules adopted after March 31, 1984, shall be  
15 published before the beginning of the cost report year to which they  
16 apply.

17 **Sec. 3.** RCW 74.46.820 and 1985 c 361 s 14 are each amended to read  
18 as follows:

19 (1) Cost reports and their final audit reports shall be subject to  
20 public disclosure pursuant to the requirements of chapter 42.17 RCW.  
21 Notwithstanding any other provision of law, cost report schedules  
22 showing information on rental or lease of assets, the facility or  
23 corporate balance sheet, schedule of changes in financial position,  
24 statement of changes in equity-fund balances, notes to financial  
25 statements, and any accompanying schedules summarizing the adjustments  
26 to a contractor's financial records, reports on review of internal  
27 control and accounting procedures, and letters of comments or  
28 recommendations relating to suggested improvements in internal control  
29 or accounting procedures which are prepared pursuant to the  
30 requirements of this chapter shall be exempt from public disclosure.

31 This subsection does not prevent a contractor from having access to  
32 its own records or from authorizing an agent or designee to have access  
33 to the contractor's records.

34 (2) Regardless of whether any document or report submitted to the  
35 secretary pursuant to this chapter is subject to public disclosure,  
36 copies of such documents or reports shall be provided by the secretary,  
37 upon written request, to the legislature ((and)), to state agencies or  
38 state or local law enforcement officials who have an official interest

1 in the contents thereof, and to nursing facility trade associations  
2 representing at least fifty providers licensed under chapter 18.51 RCW,  
3 provided:

4 (a) The nursing facility has filed with its most recent medicaid  
5 cost report a release of information form developed by the department  
6 granting permission to the department to disclose all cost report data  
7 without reference to the prohibitions of subsection (1) of this  
8 section; and

9 (b) Such nursing facility trade associations shall not further  
10 disclosure information barred from public disclosure under subsection  
11 (1) of this section in a form that identifies individual providers."

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15 On page 1, line 1 of the title, after "audits;" strike the  
16 remainder of the title and insert "and amending RCW 74.46.060,  
17 74.46.105, and 74.46.820."

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