

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2001**

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**HOUSE BILL 958**

Short Title: Cost Reports - Special Care Units.

(Public)

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Sponsors: Representatives Cansler, Insko, and Clary (Primary Sponsors).

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Referred to: Health.

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April 3, 2001

A BILL TO BE ENTITLED

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2 AN ACT TO REQUIRE COST REPORTS SPECIFIC TO ADULT CARE HOME  
3 SPECIAL CARE UNITS AND TO DIRECT THE DEPARTMENT OF HEALTH  
4 AND HUMAN SERVICES TO DEVELOP A DESIGNATED REIMBURSEMENT  
5 SYSTEM FOR RESIDENTS IN SPECIAL CARE UNITS.

6       Whereas, the number of individuals diagnosed with Alzheimer's disease or  
7 related dementia and mental health disabilities is increasing; and

8       Whereas, family members must often seek out-of-home care for these  
9 individuals in special care units; and

10       Whereas, separate licensure and operational policies are required for special  
11 care units that advertise themselves as such; and

12       Whereas, current reimbursement systems do not adequately address the total  
13 cost of care being provided for persons diagnosed with Alzheimer's disease or related  
14 dementia or mental health disabilities in licensed adult care home special care units, and  
15 this inadequacy creates a barrier to access for the public assistance population; Now,  
16 therefore,

17 The General Assembly of North Carolina enacts:

18       **SECTION 1.** G.S. 131D-4.2 reads as rewritten:

19 **"§ 131D-4.2. Adult care homes; family care homes; annual cost reports;**  
20 **exemptions; enforcement.**

21       (a) Except for family care homes, adult care homes with a licensed capacity of  
22 seven to twenty beds, which are licensed pursuant to this Chapter, to Chapter 122C of  
23 the General Statutes, and to Chapter 131E of the General Statutes, shall submit audited  
24 reports of actual costs to the Department at least every two years in accordance with  
25 rules adopted by the Department under G.S. 143B-10. For years in which an audited  
26 report of actual costs is not required, an annual cost report shall be submitted to the  
27 Department in accordance with rules adopted by the Department under G.S. 143B-10.  
28 Adult care homes that have special care units shall include in reports required under this

1 subsection cost reports specific to the special care unit and shall not average special care  
2 costs with other costs of the adult care home.

3 (b) Except for family care homes, adult care homes with a licensed capacity of  
4 twenty-one beds or more, which are licensed pursuant to this Chapter, to Chapter 122C  
5 of the General Statutes, and to Chapter 131E of the General Statutes, shall submit  
6 annual audited reports of actual costs to the Department of Health and Human Services,  
7 in accordance with rules adopted by the Department under G.S. 143B-10. Adult care  
8 homes that have special care units shall include in the reports required under this  
9 subsection cost reports specific to the special care unit and shall not average special care  
10 costs with other costs of the adult care home.

11 (d) Facilities that do not receive State/County Special Assistance or Medicaid  
12 personal care are exempt from the reporting requirements of this section.

13 (e) Except as otherwise provided in this subsection, the annual reporting period  
14 for facilities licensed pursuant to this Chapter or Chapter 131E of the General Statutes  
15 shall be October 1 through September 30, with the annual report due by the following  
16 December 31, unless the Department determines there is good cause for delay. The  
17 annual report for combination facilities and free-standing adult care home facilities  
18 owned and operated by a hospital shall be due 15 days after the hospital's Medicare cost  
19 report is due. The annual report for combination facilities not owned and operated by a  
20 hospital shall be due 15 days after the nursing facility's Medicaid cost report is due. The  
21 annual reporting period for facilities licensed pursuant to Chapter 122C of the General  
22 Statutes shall be July 1 through June 30, with the annual report due by the following  
23 December 31, unless the Department determines there is good cause for delay. Under  
24 this subsection, good cause is an action that is uncontrollable by the provider. If the  
25 Department finds good cause for delay, it may extend the deadline for filing a report for  
26 up to an additional 30 days.

27 (f) The Department shall have the authority to conduct audits and review audits  
28 submitted pursuant to subsections (a), (b), and (c) above.

29 (g) The Department shall suspend admissions to facilities that fail to submit  
30 annual reports by December 31, or by the date established by the Department when  
31 good cause for delay is found pursuant to G.S. 131D-4.2(e). Suspension of admissions  
32 shall remain in effect until reports are submitted or licenses are suspended or revoked  
33 under subdivision (2) of this subsection. The Department may take either or both of the  
34 following actions to enforce compliance by a facility with this section, or to punish  
35 noncompliance:

36 (1) Seek a court order to enforce compliance;

37 (2) Suspend or revoke the facility's license, subject to the provisions of  
38 Chapter 150B of the General Statutes.

39 (h) The report documentation shall be used to adjust the adult care home rate  
40 annually, an adjustment that is in addition to the annual standard adjustment for  
41 inflation as determined by the Office of State Budget, Planning and Management. Rates  
42 for family care homes shall be based on market rate data. The Secretary of Health and  
43 Human Services shall adopt rules for the rate-setting methodology and audited cost  
44 reports in accordance with G.S. 143B-10."

1           **SECTION 2.** Based upon the data obtained from cost reports, the  
2 Department of Health and Human Services shall develop a designated reimbursement  
3 system for residents residing in special care units in adult care homes taking into  
4 account the costs determined and funding available from both State/County Special  
5 Assistance and Medicaid payments. The Department shall not implement the designated  
6 reimbursement system until the General Assembly has reviewed the system pursuant to  
7 Section 3 of this act.

8           **SECTION 3.** Not later than May 1, 2002, the Department of Health and  
9 Human Services shall report to the General Assembly on the development of cost  
10 reports and designated reimbursement systems required under this act. The Department  
11 shall provide a copy of the report to the House of Representatives and Senate  
12 appropriations committees on health and human services and to the Fiscal Research  
13 Division of the Legislative Services Office.

14           **SECTION 4.** This act is effective when it becomes law.