

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2001**

**SESSION LAW 2001-157  
HOUSE BILL 958**

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

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

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

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

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

The General Assembly of North Carolina enacts:

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

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

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

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

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

(e) Except as otherwise provided in this subsection, the annual reporting period for facilities licensed pursuant to this Chapter or Chapter 131E of the General Statutes

shall be October 1 through September 30, with the annual report due by the following December 31, unless the Department determines there is good cause for delay. The annual report for combination facilities and free-standing adult care home facilities owned and operated by a hospital shall be due 15 days after the hospital's Medicare cost report is due. The annual report for combination facilities not owned and operated by a hospital shall be due 15 days after the nursing facility's Medicaid cost report is due. The annual reporting period for facilities licensed pursuant to Chapter 122C of the General Statutes shall be July 1 through June 30, with the annual report due by the following December 31, unless the Department determines there is good cause for delay. Under this subsection, good cause is an action that is uncontrollable by the provider. If the Department finds good cause for delay, it may extend the deadline for filing a report for up to an additional 30 days.

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

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

- (1) Seek a court order to enforce compliance;
- (2) Suspend or revoke the facility's license, subject to the provisions of Chapter 150B of the General Statutes.

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

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

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

**SECTION 4.** This act is effective when it becomes law.  
In the General Assembly read three times and ratified this the 21<sup>st</sup> day of  
May, 2001.

s/ Marc Basnight  
President Pro Tempore of the Senate

s/ James B. Black  
Speaker of the House of Representatives

s/ Michael F. Easley  
Governor

Approved 11:26 a.m. this 31<sup>st</sup> day of May, 2001