



General Assembly

Amendment

February Session, 2014

LCO No. 4582

HB0505104582HR0

Offered by:

REP. CAFERO, 142nd Dist.
REP. CANDELORA, 86th Dist.
REP. KLARIDES, 114th Dist.

To: Subst. House Bill No. 5051

File No. 291

Cal. No. 171

"AN ACT IMPROVING TRANSPARENCY OF NURSING HOME OPERATIONS."

1 Strike everything after the enacting clause and substitute the
2 following in lieu thereof:

3 "Section 1. (NEW) (*Effective July 1, 2014*) (a) As used in this section:

4 (1) "Department" means the Department of Social Services.

5 (2) "Desk review" means a process involving a review of cost reports
6 pursuant to section 17-311-53 of the department's regulations.

7 (3) "Cost report" means the Annual Report of Long-Term Care
8 Facility filed with the department pursuant to section 17-311-50 of the
9 department's regulations.

10 (4) "Significant" means of an amount so large that it can have a
11 material impact based on the size of the organization.

12 (5) "Operating losses" means the excess of expenses over revenues,
13 exclusive of depreciation and amortization expenses.

14 (6) "Negative current working capital" means the excess of current
15 liabilities over current assets plus investments, exclusive of liabilities,
16 the repayment of which are guaranteed.

17 (7) "Current" means, in the context of negative current working
18 capital, liabilities payable within twelve months and assets that are
19 cash and are expected to be converted to cash within twelve months.

20 (8) "Going concern" means a business that is expected to function
21 without the threat of insolvency or liquidation within the next twelve
22 months.

23 (9) "Related party" means companies related to such nursing homes
24 through immediate family, common ownership and control or
25 business association with any of the majority owners, operators or
26 officials of the facility.

27 (b) Auditors under contract with the department shall, during the
28 department's desk review of cost reports filed by each licensed nursing
29 facility, determine whether a nursing home has experienced significant
30 operating losses, significant negative current working capital or
31 undercapitalization for the last two years. If auditors make such a
32 determination, the determination shall constitute probable cause that
33 the nursing home may not be able to continue operating as a going
34 concern. Additional evidence constituting such probable cause
35 includes, but is not limited to, irregularities in general accounting
36 principles and deviation from industry standards. For purposes of this
37 subsection, auditors shall not extend their analysis beyond the last two
38 years, the latest year being the year associated with the cost report last
39 filed by the facility.

40 (c) If the auditors do find evidence as described in subsection (b) of
41 this section, the auditors may request additional information from the
42 facility's management that in the opinion of the facility's management

43 resolves such concerns.

44 (d) If, in the auditor's judgment, the information described in
 45 subsection (c) of this section is sufficient to mitigate doubt about the
 46 facility's ability to operate as a going concern, the auditor shall not seek
 47 additional information.

48 (e) If, in the auditor's judgment, the information described in
 49 subsection (c) of this section is not sufficient to mitigate doubt about
 50 the facility's ability to operate as a going concern, the auditor shall
 51 request, and, if available, the facility shall provide the latest finalized
 52 profit and loss statements of each related party to which the facility
 53 paid fifty thousand dollars or more for goods, services and supplies
 54 during the facility's most recent fiscal year. The auditors shall issue a
 55 report to the department that summarizes their findings."

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2014</i>	New section