APA-1

TRANSMITTAL SHEET FOR NOTICE OF INTENDED ACTION

Control: 560

Department or Agency: Alabama Medicaid Agency

Rule No.: 560-X-22-.03

Rule Title: Definitions

Intended Action: Amend

Would the absence of the proposed rule significantly harm or endanger the public health, welfare, or safety? No

Is there a reasonable relationship between the state's police power and the protection of the public health, safety, or welfare? Yes

Is there another, less restrictive method of regulation available that could adequately protect the public? No

Does the proposed rule have the effect of directly or indirectly increasing the costs of any goods or services involved? No

To what degree?: N/A

Is the increase in cost more harmful to the public than the harm that might result from the absence of the proposed rule? No

Are all facets of the rule-making process designed solely for the purpose of, and so they have, as their primary effect, the protection of the public? Yes

Does the proposed action relate to or affect in any manner any litigation which the agency is a party to concerning the subject matter of the proposed rule? No

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Does the proposed rule have an economic impact? No

If the proposed rule has an economic impact, the proposed rule is required to be accompanied by a fiscal note prepared in accordance with subsection (f) of Section 41-22-23, Code of Alabama 1975.

Certification of Authorized Official

I certify that the attached proposed rule has been proposed in full compliance with the requirements of Chapter 22, Title 41, Code of Alabama 1975, and that it conforms to all applicable filing requirements of the Administrative Procedure Division of the Legislative Services Agency.

Signature of certifying officer: Timothy "Bo" A. Offord, Jr.

Timothy Offord

Date: Friday, December 19, 2025

REC'D & FILED

DEC 19, 2025

LEGISLATIVE SVC AGENCY

APA-2

ALABAMA MEDICAID AGENCY

NOTICE OF INTENDED ACTION

AGENCY NAME: Alabama Medicaid Agency

RULE NO. & TITLE: 560-X-22-.03 Definitions

INTENDED ACTION: Amend

SUBSTANCE OF PROPOSED ACTION:
The above referenced rule is being amended to provide payment for medically necessary physical, occupational, and speech-language pathology therapy services for eligible participants residing in a long-term care institutional setting.

TIME, PLACE AND MANNER OF PRESENTING VIEWS:
Written or oral comments may be submitted to the Alabama Medicaid Agency, 501 Dexter Avenue, Post Office Box 5624, Montgomery, Alabama 36103-5624. Agency business hours are 8:00 a.m. to 5:00 p.m. Monday through Friday.

FINAL DATE FOR COMMENT AND COMPLETION OF NOTICE:
Wednesday, February 4, 2026

CONTACT PERSON AT AGENCY:
Administrative Secretary
Alabama Medicaid Agency
501 Dexter Avenue
Post Office Box 5624
Montgomery, Alabama 36103-5624
Phone: (334) 353-3781

Timothy "Bo" A. Offord, Jr.
Timothy Offord

(Signature of officer authorized
to promulgate and adopt
rules or his or her deputy)

560-X-22-.03 Definitions.

(1) **Accrual Method of Accounting** - Revenues must be allocated to the accounting period in which they are earned and expenses must be charged to the period in which they are incurred. This must be done regardless of when cash is received or disbursed.

(2) **Adjusted Reported Costs** - The net reported costs from Schedule D, Column 7, of the cost report adjusted, as required, for unallowable costs, and cost recovery items.

(3) **Medicaid** - The Alabama Medicaid Agency.

(4) **Medicaid Reimbursement Principles** - A combination of generally accepted accounting principles, principles ~~includedin~~included in the State Plan, Medicare (Title XVIII) Principles of Reimbursement, and procedures and principles promulgated by Medicaid to provide reimbursement of provider costs which must be incurred by efficiently and economically operated nursing facilities.

(5) **Allowable Costs** - The costs of a provider of nursing facility services which must be incurred by an efficiently and economically operated facility and which are not otherwise disallowed by the reimbursement principles established under and incorporated into this chapter.

(6) **Approved Bed Rate** - The Medicaid rate paid to nursing facilities for approved beds. (See Section 5 for computation.)

(7) **Category** - Grouping formed according to type of facility. Medicaid categories to which this chapter applies are: NF, NF/IMD, and NF/IDD.

(8) **Chapter** - This chapter (560-X-22) of the Alabama Medicaid Administrative Code.

(9) **Cost Recovery Item** - Income generated by an element of allowable cost.

(10) **Facility** - Any structure licensed by the State of Alabama for the purpose of providing long-term care to the aged, ill, or disabled.

(11) **Fair Market Value** - The bona fide price at which an asset would change hands or at which services would be purchased between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts.

(12) **Fiscal Year** - The 12 month period upon which providers are required to report their costs, being the period from July 1st through June 30th, also called the "reporting period."

(13) **HCFA** - The Health Care Financing Administration, an agency of the U.S. Department of Health and Human Services.

(14) **HIM-15** - The title of the Medicare Provider Reimbursement Manual, a publication of HCFA. All references to this manual or to Title XVIII Principles of Reimbursement in Chapter 22 are for the "Retrospective" Reasonable Cost Reimbursement Principles and not those of the 10-1-83 Prospective Medicare System.

(15) **Hold Bed Days** - The period during which a provider receives payment from a source other than Medicaid for the reservation of a bed in a long-term care facility for a particular patient who is not in the facility. Hold bed days do not include therapeutic leave covered by Medicaid.

(16) **Home Office Costs** - See Rule 560-X-22-.20 for ~~indepth~~in depth discussion and treatment of home-office costs.

(17) **Imprest System** - A system in which any fund is replenished by writing a check equal to the payments which have been made out of the fund. Examples of such funds are petty cash and payroll.

(18) **Interest** - Cost incurred for the use of borrowed funds.

(a) **Necessary Interest** - Incurred to satisfy a financial need of the provider on a loan made for a purpose directly related to patient care. Necessary interest cannot include loans resulting in excess funds or investments.

(b) **Proper Interest** - Must be necessary as described above, incurred at a rate not in excess of what a prudent borrower would have to pay in the money market at the time the loan was made, and incurred in connection with a loan directly related to patient care or safety.

(19) **Interim Per Diem Rate** - A rate intended to approximate the provider's actual or allowable costs of services furnished until such time as actual allowable costs are determined.

(20) **Medicaid Occupancy** - The percentage of the total patient days reported by a nursing facility utilized by patients whose stay is paid all or in part by Medicaid. This does not include Medicare co-pay days.

(21) **Medicaid Per Diem Rate** - The amount paid by Medicaid for nursing facility services provided to Medicaid patients for a one-day period.

(22) **Necessary Function** - A function being performed by an employee which, if that employee were not performing it, another would have to be employed to do so, and which is directly related to providing nursing facility services.

(23) **Patient Day** - Any day that a bed is either occupied or is not otherwise available for immediate occupancy ~~bya~~by a newly admitted patient, but only if some payment and/or promise of payment is received either at the full per diem rate or a reduced rate.

(24) **Proprietary Provider** - Provider, whether a sole proprietorship, partnership, or corporation, organized and operated with the expectation of earning profit for the owners as distinguished from providers organized and operated on a nonprofit basis.

(25) **Provider** - A person, organization, or facility who or which furnishes services to patients eligible for Medicaid benefits.

(26) **Prudent Buyer Concept** - The principle of purchasing supplies and services at a cost which is as low as possible without sacrificing quality of goods or services received.

(27) **Related** - The issue of whether the provider and another party are "related" will be determined under the HIM-15 rules as to classification as "related" parties. (See HIM-15.)

(28) **Reasonable Compensation** - Compensation of officers and/or employees performing a necessary function in a facility in an amount which would ordinarily be paid for comparable services by a comparable facility.

(29) **Reasonable Costs** - Necessary and ordinary cost related to patient care which a prudent and cost-conscious businessman would pay for a given item or service.

(30) **State Plan** - The State Plan promulgated by the State of Alabama under Title XIX of the Social Security Act Medical Assistance Program.

(31) **Straight Line Method of Depreciation** - Depreciation charges spread equally over the estimated life of the asset so that at the expiration of that period the total cost that was determined to be recoverable through such charges has been recovered.

(32) **Unallowable Costs** - All costs incurred by a provider which are not allowable under the Medicaid Reimbursement Principles.

(33) **Lease** - An agreement in which the facility pays for the use of buildings or equipment. Such agreements must not meet the criteria for capitalization as outlined in HIM-15.

(34) **Nursing Facility/Institution for Mental Diseases** - A nursing facility that provides care only for patients diagnosed with Mental Disease and are over sixty-five (65) years of age.

(35) **Nursing Facility/Institution for the Developmentally Disabled** - A nursing facility that provides care only to physically and mentally disabled patients who are eighteen years of age or less.

(36) **Standard Value** - A dollar value per bed used to cover the value of land, buildings, and major movable equipment.

(37) **Current Asset Value** - Standard value per bed reduced by 1% for each year of age, limited to $12,500 per bed minimum.

(38) **Net Asset Value** - Current asset value reduced by outstanding allowable mortgage debt.

(39) **Rebasing** - A mechanism for reflecting inflation in land, buildings, and equipment costs.

(40) **Median** - The middle value in a distribution, above and below which lie an equal number of values.

(41) **Operating Costs** - Administrative and general expenses of running a nursing facility. See Rule 560-X-22-.10 for a more detailed description.

(42) **Direct Patient Care Cost** - Costs that are directly related to providing nursing care to a resident. They consist of direct nursing costs, raw food costs, and fees paid to medical directors, pharmacy consultants, dental consultants, and nursing consultants required by federal and/or state law.

(43) **Indirect Care Cost** - All ~~nonproperty~~non-property costs not covered under operating costs and direct care costs. These costs consist of dietary costs (less raw food) housekeeping costs, plant operating costs, activity costs, social service costs, laundry costs (less the cost of doing patient personal laundry) and miscellaneous cost.

(44) **Fair Rental Cost** - The cost associated with acquiring and using real property (land, buildings, and major movable

equipment) not including interest expense, property taxes, and property insurance. See Rule 560-X-22-.14 for more detail.

(45) **Therapy Services Cost** - Costs associated with providing therapy services to residents for physical therapy, occupational therapy, and speech-language pathology are considered allowable. The costs include salary and wages, contract labor expenses and therapy related supplies delivered by licensed professionals and related aides, as required by federal and/or state law. Therapy services reimbursed by non-Medicaid payer sources are not allowable for Medicaid cost reporting and reimbursement purposes.

Author: ~~Susan Mims~~Sandra Johnson, Director, Provider Audit

Statutory Authority: State Plan; Title XIX, Social Security Act; 42 C.F.R. §§447.200 - .272, et seq.

History: Rule effective October 1, 1982. Amended effective January 4, 1984; March 12, 1988; July 12, 1988. **Emergency rule** effective May 1, 1990. Amended effective August 14, 1990; October 1, 1990. **Emergency rule** effective September 12, 1991. **Amended:** effective December 12, 1991. **Amended:** Published _____; effective _____.