

# STATE OF CONNECTICUT

## DEPARTMENT OF PUBLIC HEALTH



Renée D. Coleman-Mitchell, MPH  
Commissioner

Ned Lamont  
Governor  
Susan Bysiewicz  
Lt. Governor

### Healthcare Quality & Safety Branch

November 15, 2019

The Honorable James J. Maroney  
The Honorable Joseph C. Serra  
Aging Committee, State Capitol, Room 011  
Hartford, CT 06106

The Honorable Catherine A. Osten  
The Honorable Toni E. Walker  
Appropriations Committee, State Capitol, Legislative Office Building, Room 2700  
Hartford, CT 06106

The Honorable Marilyn V. Moore  
The Honorable Catherine F. Abercrombie  
Human Services Committee, Legislative Office Building, Room 2000  
Hartford, CT 06106

The Honorable Mary Daughtery Abrams  
The Honorable Jonathan Steinberg  
Public Health Committee, Legislative Office Building, Room 3000  
Hartford, CT 06106

Dear Committee Chairs:

Enclosed please find the Nursing Home Financial Advisory Committee's Annual Report for calendar year 2018 as required by Section 17b-339(c) of the Connecticut General Statutes. At the time of report submission the Department of Social Services (DSS) and Department of Public Health (DPH) Commissioners are Deidre Gifford, MD, MPH and Renée Coleman-Mitchell, MPH respectively. However, the report reflects Committee activity that occurred during the tenure of previous agency Commissioners Roderick Bremby, DSS and Raul Pino, DPH.



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If you have any questions regarding the report, please do not hesitate to contact me at [Barbara.Cass@ct.gov](mailto:Barbara.Cass@ct.gov) or 860-509-7609 or Committee Co-Chair, Kathy Shaughnessy, DSS, [Kathleen.Shaughnessy@ct.gov](mailto:Kathleen.Shaughnessy@ct.gov) or 860-424-5108.

Sincerely,



Barbara S. Cass, R.N.  
Co-Chair, Nursing Home Financial Advisory Committee  
Branch Chief, Healthcare Quality and Safety Branch  
Department of Public Health

cc: Members and Clerks of the Aging, Appropriations, Human Services, and Public Health  
Committees  
Clerk of the Senate  
Clerk of the House  
Office of Legislative Research  
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***REPORT TO THE JOINT STANDING COMMITTEES OF THE  
GENERAL ASSEMBLY***

**ON AGING, APPROPRIATIONS, HUMAN SERVICES AND  
PUBLIC HEALTH**

**ANNUAL REPORT OF THE NURSING HOME FINANCIAL  
ADVISORY COMMITTEE**

**November, 2019**

**Deidre S. Gifford, MD, MPH, Department of Social Services,  
Commissioner**

**Renée D. Coleman-Mitchell, MPH, Department of Public Health,  
Commissioner**

**State of Connecticut**

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**Committee Members:**

Matthew Barrett, Executive Director, Connecticut Association Health Care Facilities

Barbara Cass, Branch Chief, Healthcare Quality and Safety Branch, Department of Public Health

Anne Foley, Undersecretary Office of Policy and Management

Christopher Lavigne, Director of Rate Setting, Department of Social Services

Mag Morelli, President, LeadingAge, Connecticut

Mairead Painter, Connecticut Long Term Care Ombudsman, Department of Rehabilitation Services

David Wasch, Legislative Liaison, Connecticut Health and Education Facilities Authority

# ANNUAL REPORT

## Activities as of January 2019

### I. BACKGROUND

Section 17-339 of the Connecticut General Statutes<sup>1</sup> establishes a Nursing Home Financial Advisory Committee to examine the financial solvency of and quality of care provided by nursing homes. The committee is co-chaired by Chris Lavigne, Director of Rate Setting at the Department of Social Services and Barbara Cass, Healthcare Quality and Safety Branch Chief at the Department of Public Health. The committee is composed of representatives of the Office of Policy and Management, the Connecticut Health and Education Facilities Authority, LeadingAge Connecticut, the Connecticut Association for Health Care Facilities, and the State's Long-Term Care Ombudsman. The committee's responsibilities include (1) evaluating any information and data available, including, but not limited to, (A) quality of care, (B) acuity, (C) census, and (D) staffing levels of nursing homes operating in the state to assess the overall infrastructure and projected needs of such homes, and (2) recommend appropriate action consistent with the goals, strategies, and long-term care needs set forth in the strategic plan developed pursuant to subsection (c) of C.G.S. section 17b-369 to the Commissioner of Social Services and the Commissioner of Public Health.

### II. NURSING HOME OVERVIEW

A nursing home facility is defined at section 19a-521 of the Connecticut General Statutes<sup>2</sup> as "any nursing home or any rest home with nursing supervision that provides nursing supervision under a medical director twenty-four hours per day, or any chronic or convalescent nursing home that provides skilled nursing care under medical supervision and direction to carry out nonsurgical treatment and dietary procedures for chronic diseases, convalescent stages, acute disease or injuries. Currently, Connecticut has 219 licensed nursing home facilities that range in capacity from 4 beds to 375 beds, with 26,812 nursing facility beds statewide as of February 26, 2019.

As set forth in Connecticut General Statutes, specifically sections 19a-2a<sup>3</sup>, 19a-493<sup>4</sup> and 19a-498<sup>5</sup>, the Department of Public Health conducts biennial licensure inspections to ensure compliance with state laws and regulations. In addition to licensure, nursing homes are certified annually by the Department of Health and Human Services (HHS), Centers for Medicare and Medicaid Services (CMS) to ensure compliance with the conditions of participation and federal

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<sup>1</sup> Section 17-339 of the Connecticut General Statutes is attached hereto as Appendix 1

<sup>2</sup> Section 19a-521 of the Connecticut General Statutes is attached hereto as Appendix 2

<sup>3</sup> Section 19a-2a of the Connecticut General Statutes is attached hereto as Appendix 3

<sup>4</sup> Section 19a-493 of the Connecticut General Statutes is attached hereto as Appendix 4

<sup>5</sup> Section 19a-498 of the Connecticut General Statutes is attached hereto as Appendix 5

laws and regulations. As set forth in Section 1864 of the Social Security Act<sup>6</sup>, an agreement exists between the Secretary of HHS and the State of Connecticut, Department of Public Health, as the state survey agency. Such agreement includes certification activities that include in part, inspecting and certifying nursing facilities, applying the appropriate conditions of participation and applicable laws and regulation that ensure quality services. Additional activities include, investigating complaints regarding care and service issues for nursing home facilities which are licensed and/or certified pursuant to Connecticut General Statutes, the Regulations of Connecticut State Agencies and the Code of Federal Regulations.

The provision of quality care is integral to the nursing home facility inspection process. If non-compliance is identified pursuant to an inspection, such facility must provide a plan of correction to the Department of Public Health that will include, but not be limited to, actions the facility will demonstrate and implement to mitigate risk of recurrence and monitoring to ensure that the plan of correction was effective to ensure sustained compliance.

Acuity of the nursing home patients/residents varies from the chronic and stable to the medically challenged/complex. Nursing home facilities provide intravenous therapy, medication therapy, respiratory therapy, rehabilitation, wound care and other medically complex modalities. While Connecticut Public Health Code prescribes staffing numbers, staffing varies with expectations that staffing shall be adequate and meet the needs of the patients/residents that reside in the facility.

Reimbursement for nursing facility care is compensated through patient/resident self-pay, private/commercial insurance or Medicare/Medicaid insurance benefits. The Office of Reimbursement and Certificate of Need (CON) within the Department of Social Services (DSS) is the agency responsible for Medicaid eligibility and is responsible for establishing Medicaid rates and reimbursement. When calculating Medicaid rates, the following costs are calculated: direct labor costs, indirect costs, fair rent, and capital related costs. For a comprehensive overview of Medicaid rate setting for nursing facilities please refer to <http://www.ct.gov/dss/cwp/view.asp?a=4637&q=544902>.

The Connecticut nursing facility payor mix for state fiscal year 2017 was as follows: Medicaid 72.7%, Private pay: 10.4%, Medicare: 12.4% and Veterans/New York Medicaid: .01%%. The current rate period of November 1, 2018 through June 30, 2019 identified an average daily Medicaid rate of \$241.97 per day with total Medicaid expenditures for nursing facility services totaling approximately \$1,160,470,893 billion in fiscal year 2018. This expenditure accounts for 27.2%% of the DSS annual budget.

Nursing facility census is collected and monitored monthly by the Office of Reimbursement and Certificate of Need at DSS. The self-reported nursing facility census for November 2018 identified an average daily census of 88.0%. Many factors affect census, including services provided, location, agreements with hospitals, seasonal variations, and Long Term Services Support (LTSS) rebalancing activities.

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<sup>6</sup> Section 1864 of the Social Security Act is attached hereto as Appendix 7.

Financial solvency greatly impacts a nursing facility's ability to sustain operations. Challenges include, but are not limited to, occupancy level, labor costs, costs associated with collective bargaining agreements related to the labor force, increases in insurance costs, and materials and supplies costs. These challenges can lead to difficult decisions that result in nursing home facility closures. Since 2009, 25 nursing facilities have closed which total 2,709 beds.

### **III. Nursing Home Financial Advisory Committee Activities**

In 2018, the Nursing Home Financial Advisory Committee conducted meetings on January 24, February 16, August 17, September 7, October 19, November 30, and December 21. All meetings were held at the Department of Social Services, 55 Farmington Avenue, Hartford, Connecticut from 9:00 a.m. to 11:00 a.m.

The January 24, 2018 meeting included discussions on the Governor's budget and the potential impact to the nursing home provider community. The Department of Social Services identified the Medicaid rate letters for 2018 had been completed, were being reviewed and would be sent to the providers the last week of January. Additional discussion included an update on unionized nursing home facilities that were working without a collective bargaining agreement and could potentially engage in a labor action.

On February 16, 2018 the committee discussed specialty services, including mechanical ventilation/respiratory services, bariatric, and traumatic brain injury services that were being provided to Connecticut residents at nursing home facilities out of state. Nursing home facilities in Connecticut were unable to meet the acuity needs of these residents, therefore the residents were transferred to facilities out of state who could meet their needs. Acknowledgment was made that while residents with a diagnosis of dementia may reflect a low resource utilization group which aligns with lower reimbursement, costs associated with the care of an individual with a diagnosis of dementia may have costly implications. Lastly, the DSS indicated that the agency's website is being enhanced and will include white papers and webinars for providers to access. The website will include a calculator that will help calculate rates for providers. The Department of Social Services, Nursing Home Medicaid Reimbursement webpage can be accessed at the following link: <https://portal.ct.gov/DSS/Health-And-Home-Care/Medicaid-Nursing-Home-Reimbursement/Medicaid-Nursing-Home-Reimbursement> .

At the August 17, 2018 meeting, an update on the acuity based rate system was explained to the committee which is anticipated for the future of rate setting. DSS indicated that they are also working on a plan to access the enhanced federal match. The Office of Policy and Management provided a summary of the 2% wage enhancement and what the expectations are if a facility chooses to elect to provide the enhancement to their nursing home facility staff. The meeting concluded with an update on current facilities in bankruptcy and/or receivership. Additional discussion included the change of ownership process and what is currently done with respect to DPH and DSS to ensure a smooth and financially viable transition. Further dialogue included proposing legislation to create a Change of Ownership (CHOW) process that examined financial liabilities both retrospectively and prospectively to safeguard Connecticut's healthcare beneficiaries, at the same time reducing state financial burdens.

On September 7, 2018 the Committee discussed the updates on the advanced planning document that the DDS is releasing. The purpose of the document is access enhanced federal funding to assist with the transition from a cost-based methodology to a prospective acuity-based or case mix payment system for Connecticut's nursing facility reimbursement system. Detailed discussion included the transition of Medicaid nursing facility reimbursement from a cost-based methodology to a prospective based acuity based system or case mix based system. The features in this transition include enhanced access to Minimum Data Set information, an acuity based classification system, case mix reimbursement design and modeling that will include a fiscal analysis and an automated solution to transmit case mix rosters to Connecticut Medicaid nursing facilities. The group was apprised of the updates to the DSS website that includes the Medicaid nursing home modernization acuity based methodology and the efficiencies that will come with the updates.

During the meeting on October 9, 2018 DSS indicated that no requests for interim rates have been received. It was reported that nursing homes currently are reporting an 88% occupancy rate and in calendar year 2018, and six nursing homes have closed. In the recent closing of Bridgeport Manor, one-third of the residents were involved in the Money Follows the Person (MFP) program and discharged to the community. Discussion evolved to Assisted Living/Managed Residential Communities (MRC) and the "settings rule" and the impact to quality care and safety, balanced with choice for individuals. The impact has been a switch of payor mix ratio to 80/20 financial payors in the nursing home. Currently the State of Connecticut is offering a pilot program whereby individuals can be supported in the MRC setting when the individual's financial resources have been depleted. If the individual is able to comply with the tenant/landlord rental agreement and maintain the rental fees, the individual may be eligible for the home care program which allows the individual to continue residence in the MRC. Discussion evolved to expansion of this supportive program, although it was emphasized that MRC's have impacted the payor mix in nursing home facilities. An update was provided to the DSS website which included the Residential Care Home (RCH) and Chronic Convalescent Nursing analysis. The Department of Public Health (DPH) discussed recent quality of care issues that have been identified in the past quarter. The issues included an increase in the identification of significant infection control issues as it relates to the utilization of point of care devices. Subsequent to identifying the increase, DPH disseminated a provider wide correspondence alerting them to the issue outlining infection control expectations. Additionally, DPH provided an overview of the expectations when caring for the individual with a behavioral health diagnosis/substance use disorder receiving care in a nursing home facility, to be released November 2019. Additional discussion included clarification regarding how the 2% wage enhancement has to be extended in wages and employee benefit packages.

The November 30, 2018 meeting identified no pending requests for interim rates. During the November 30, 2018 meeting, David Guttchen, Director of Health and Human Services Planning at the Office of Policy and Management, provided an overview of the assisted living initiatives in Connecticut. The State currently has four initiatives and they are as follows:

- Assisted Living Demonstration Program;
- State Funded Congregate Assisted Living Program;
- HUD Communities Assisted Living Program; and
- Private Pay Assisted Living Program.



The discussion identified that currently 450 of Connecticut's residents are benefiting from the programs with a substantial savings to the Medicaid program. The DPH reported that this past month there have been no concerns with trends quality of care non-compliance. Additional discussion included the industry response to the wage enhancement program in which it was reported that three facilities rejected the wage enhancement.

On December 21, 2018, the committee convened the last meeting of 2018 at the DSS. An overview of the Long Term Care Mutual Aid Plan (LTC-MAP) was provided and the benefits to nursing home residents when a local, state or national incident occurs which may disrupt nursing home operations. The intent of the LTC-MAP is for nursing home facilities to provide mutual aid for one another rather than rely on outside resources that may already be scarce or depleted. Further discussion included the gaps with nursing home reimbursement when an evacuation may occur and residents have been relocated to another nursing home facility. The LTC-MAP will ensure the least disruption and ensure that quality of care continues. The current gap exists whereas the reimbursement system, Medicare and Medicaid do not align with one another. Medicare provides that the resident does not need to be discharged and payment continues to the disaster struck facility if the potential exists for the residents to return to the facility within 30 days of the evacuation. Medicaid directs the resident be discharged. Aligning the two reimbursement system will promote greater efficiencies. The DSS is committed to reviewing the reimbursement structure and will evaluate the benefits of aligning the two systems into one.

DSS indicated that an interim rate request was pending a decision. Further discussion included facilities that are provided an adjusted rate for specialized services and concerns related to the provision of such services. The expectation is when receiving a specialized rate, admissions will be given serious consideration as it relates to persons requiring that specialized service. Currently there are only two nursing homes in Connecticut that provide specialized respiratory services/mechanical ventilation and several Connecticut residents who require that level of care are receiving services in nursing home facilities located out of state. DSS is exploring expanding specialized beds in Connecticut in an effort to repatriate individuals. It has been identified that hospitals expressed a desire to have a contact at DSS when having difficulty placing residents with specific care needs and the DSS has provided a nurse for contact who can facilitate placement/discharge concerns and/or challenges.

The plan to transition to acuity based rates was further discussed and it is anticipated that early to mid- 2019, the DSS will actualize the plan. A Patient Driven Payment Model (PDPM) which is the payment model that Medicare has adopted will be utilized rather than the Resource Utilization Group (RUG) 4 model which is currently utilized. The Minimum Data Set (MDS) assessment, currently completed for all nursing home facility residents will continue to be the tool to determine patient acuity which will translate into patient reimbursement. The DSS may develop a timeline of at least a year to execute the new reimbursement process. The provision of therapy services will no longer be the driver, but patient acuity will be guiding the payment model. The Centers for Medicare and Medicaid Services (CMS) has done a webinar on PDPM which will be shared with the provider community. CMS has built a PDPM page and the webinar is located on that site. Additionally, presentations will be provided to assist nursing home facilities with the transition to a PDPM payment model. It is expected that the PDPM will promote greater efficiencies within the DSS reimbursement system.

The meeting concluded with an overview discussion of methods to accelerate bed reduction. There was group consensus that less nursing home facility beds are needed and the need to develop a set of tools and strategies that nursing homes can access to achieve downsizing or closure. More homes are running under 90% census than over 90%. There are several homes under 70% census. One reason for this was identified as the popularity of assisted living as an alternative to nursing homes. However, when a person spends down in an assisted living and becomes Medicaid eligible, they must move out because Medicaid will not pay for assisted living except for in a few instances and then only for the services, not the room and board. One idea considered to address the level of care needs of residents leaving assisted living due to financial reasons was the use of the rest home with nursing supervision (RHNS) licensure level of nursing home care. If nursing homes could relicense some of their chronic and convalescent nursing home (CCNH) to this lower level of licensure which requires less staffing resources, than they might be able to design a financially viable care delivery mix that can meet both the needs of residents who enter with lower care needs and the higher acuity of residents in CCNH beds. In addition, the RHNS could be used as more acute residents enter for short term rehab in the CCNH bed and then need to move to a lower level of care before they transition out of the nursing homes. The advantage to the use of the RHNS is that unlike assisted living, the cost to the state would be eligible for the federal match and the acuity level would dictate the appropriate rate.

Concerns were raised that the increased use of the RHNS level of care would need to have safeguards in place to ensure they were used appropriately and did not become shelters for individuals who would be better served in the community. DSS will review the legislative language and the group will explore the RHNS concept further.

The Committee then discussed the concept of allowing the “banking of beds,” which is a term for removing beds from service, but maintaining the licenses. The nursing home representatives felt this option might encourage some operators to downsize the number of beds in service. DSS is concerned about the reentry of banked beds and their ability to control the quality of the beds that are put back into service. DSS would prefer to have an RFP process to be used if a bed need is identified in the future.

DSS had done an analysis on the recent change in ownerships and found that all but one owner was not able to achieve financial stability after the purchase. The current receivership statutes and how they might contribute to this situation were discussed and potential changes to those statutes considered.

## **Conclusion**

The continuum of care in Connecticut has broad implications to the overall operations of a nursing home which also impacts financial solvency. Connecticut has a very robust Money Follows the Person (MFP) program which has assisted many individuals in the transition from a nursing home level of care to a community setting with supports as directed by an individual assessment in place to ensure a safe discharge. The MFP program is a Federal demonstration

project dedicated to assuring Connecticut residents access to a full range of high quality, long-term care options that maximize autonomy, choice and dignity.

Connecticut also has nursing home beds that provide specialized services, such as, mechanical ventilation and cardiac rehabilitation that will facilitate discharge from the hospital to the nursing home to a community setting. Notably, assisted living services also play a valuable role in the scope of aging services that allows yet another level of supportive care and options for consumers. However, these options have also contributed to the challenges that nursing homes have experienced over time that have the potential to impact patient/resident census which has a direct link to financial viability.

In recent years Connecticut has experienced several nursing home closures that were either voluntary closures or closures pursuant to state receivership and/or state or federal bankruptcy actions. While this has aligned with the long term services and supports strategic rebalancing plan developed in accordance with Section 17b-369 of the general statutes, there is still work that needs to be accomplished.

### **Future Nursing Home Financial Advisory Committee Activities**

The committee will continue to meet in 2019 at least quarterly with the next meetings scheduled for: April 23, 2019, July 10, 2019 and October 24, 2019.

## Appendix 1

Sec. 17b-339. Nursing Home Financial Advisory Committee. Duties. Membership. Reports. Annual meeting. (a) There is established a Nursing Home Financial Advisory Committee to examine the financial solvency of nursing homes on an ongoing basis and to support the Departments of Social Services and Public Health in their mission to provide oversight to the nursing home industry on issues concerning the financial solvency of and quality of care provided by nursing homes. The committee shall convene not later than August 1, 2014, and consist of the following members: The Commissioner of Social Services, or the commissioner's designee; the Commissioner of Public Health, or the commissioner's designee; the Secretary of the Office of Policy and Management, or the secretary's designee; the executive director of the Connecticut Health and Education Facilities Authority, or the director's designee; the Long-Term Care Ombudsman and two members appointed by the Governor, one of whom shall be a representative of not-for-profit nursing homes and one of whom shall be a representative of for-profit nursing homes. In addition, the Labor Commissioner may appoint a nonvoting member to the committee. The Commissioner of Social Services and the Commissioner of Public Health, or their designees, shall be the chairpersons of the committee.

(b) The committee shall (1) evaluate any information and data available, including, but not limited to, (A) quality of care, (B) acuity, (C) census, and (D) staffing levels of nursing homes operating in the state to assess the overall infrastructure and projected needs of such homes, and (2) recommend appropriate action consistent with the goals, strategies and long-term care needs set forth in the strategic plan developed pursuant to subsection (c) of section 17b-369 to the Commissioner of Social Services and the Commissioner of Public Health. The Commissioner of Social Services shall submit quarterly reports to the committee concerning pending nursing home requests for interim rate increases. Such reports shall, without identifying any requesting facility by name, list the amount of each increase requested, the reason for the request and the rate that will result if the request is granted.

(c) Not later than January 1, 2015, and annually thereafter, the committee shall submit a report on its activities to the joint standing committees of the General Assembly having cognizance of matters relating to aging, appropriations and the

budgets of state agencies, human services and public health, in accordance with the provisions of section 11-4a.

(d) Not later than October 1, 2014, and quarterly thereafter, the committee shall meet with the chairpersons and ranking members of the joint standing committees of the General Assembly having cognizance of matters relating to appropriations and the budgets of state agencies, human services and public health to discuss activities of the committee relating to the financial solvency of and quality of care provided by nursing homes.

## **Appendix 2**

Sec. 19a-521. (Formerly Sec. 19-602). Nursing home facilities. Definitions. As used in this section and sections 19a-522 to 19a-534a, inclusive, 19a-536 to 19a-539, inclusive, 19a-550 to 19a-554, inclusive, and 19a-562a, unless the context otherwise requires:

- (1) "Nursing home facility" has the same meaning as provided in section 19a-490;
- (2) "Department" means the Department of Public Health;
- (3) "Commissioner" means the Commissioner of Public Health or the commissioner's designated representative; and
- (4) "Residential care home" has the same meaning as provided in section 19a-490.

### Appendix 3

Sec. 19a-2a. Powers and duties. The Commissioner of Public Health shall employ the most efficient and practical means for the prevention and suppression of disease and shall administer all laws under the jurisdiction of the Department of Public Health and the Public Health Code. The commissioner shall have responsibility for the overall operation and administration of the Department of Public Health. The commissioner shall have the power and duty to: (1) Administer, coordinate and direct the operation of the department; (2) adopt and enforce regulations, in accordance with chapter 54, as are necessary to carry out the purposes of the department as established by statute; (3) establish rules for the internal operation and administration of the department; (4) establish and develop programs and administer services to achieve the purposes of the department as established by statute; (5) enter into a contract, including, but not limited to, a contract with another state, for facilities, services and programs to implement the purposes of the department as established by statute; (6) designate a deputy commissioner or other employee of the department to sign any license, certificate or permit issued by said department; (7) conduct a hearing, issue subpoenas, administer oaths, compel testimony and render a final decision in any case when a hearing is required or authorized under the provisions of any statute dealing with the Department of Public Health; (8) with the health authorities of this and other states, secure information and data concerning the prevention and control of epidemics and conditions affecting or endangering the public health, and compile such information and statistics and shall disseminate among health authorities and the people of the state such information as may be of value to them; (9) annually issue a list of reportable diseases, emergency illnesses and health conditions and a list of reportable laboratory findings and amend such lists as the commissioner deems necessary and distribute such lists as well as any necessary forms to each licensed physician and clinical laboratory in this state. The commissioner shall prepare printed forms for reports and returns, with such instructions as may be necessary, for the use of directors of health, boards of health and registrars of vital statistics; and (10) specify uniform methods of keeping statistical information by public and private agencies, organizations and individuals, including a client identifier system, and collect and make available relevant statistical information, including the number of persons treated, frequency of admission and readmission, and frequency and duration of treatment. The client identifier system shall be subject to the

confidentiality requirements set forth in section 17a-688 and regulations adopted thereunder. The commissioner may designate any person to perform any of the duties listed in subdivision (7) of this section. The commissioner shall have authority over directors of health and may, for cause, remove any such director; but any person claiming to be aggrieved by such removal may appeal to the Superior Court which may affirm or reverse the action of the commissioner as the public interest requires. The commissioner shall assist and advise local directors of health and district directors of health in the performance of their duties, and may require the enforcement of any law, regulation or ordinance relating to public health. In the event the commissioner reasonably suspects impropriety on the part of a local director of health or district director of health, or employee of such director, in the performance of his or her duties, the commissioner shall provide notification and any evidence of such impropriety to the appropriate governing authority of the municipal health authority, established pursuant to section 19a-200, or the district department of health, established pursuant to section 19a-244, for purposes of reviewing and assessing a director's or an employee's compliance with such duties. Such governing authority shall provide a written report of its findings from the review and assessment to the commissioner not later than ninety days after such review and assessment. When requested by local directors of health or district directors of health, the commissioner shall consult with them and investigate and advise concerning any condition affecting public health within their jurisdiction. The commissioner shall investigate nuisances and conditions affecting, or that he or she has reason to suspect may affect, the security of life and health in any locality and, for that purpose, the commissioner, or any person authorized by the commissioner, may enter and examine any ground, vehicle, apartment, building or place, and any person designated by the commissioner shall have the authority conferred by law upon constables. Whenever the commissioner determines that any provision of the general statutes or regulation of the Public Health Code is not being enforced effectively by a local health department or health district, he or she shall forthwith take such measures, including the performance of any act required of the local health department or health district, to ensure enforcement of such statute or regulation and shall inform the local health department or health district of such measures. In September of each year the commissioner shall certify to the Secretary of the Office of Policy and Management the population of each municipality. The commissioner may solicit and accept for use any gift of money or property made by will or otherwise,



and any grant of or contract for money, services or property from the federal government, the state, any political subdivision thereof, any other state or any private source, and do all things necessary to cooperate with the federal government or any of its agencies in making an application for any grant or contract. The commissioner may establish state-wide and regional advisory councils. For purposes of this section, "employee of such director" means an employee of, a consultant employed or retained by or an independent contractor retained by a local director of health, a district director of health, a local health department or a health district.

## Appendix 4

Sec. 19a-493. (Formerly Sec. 19-578). Initial license and renewal. Prior approval for change in ownership. Multicare institution. Regulations. (a) Upon receipt of an application for an initial license, the Department of Public Health, subject to the provisions of section 19a-491a, shall issue such license if, upon conducting a scheduled inspection and investigation, the department finds that the applicant and facilities meet the requirements established under section 19a-495, provided a license shall be issued to or renewed for an institution, as defined in section 19a-490, only if such institution is not otherwise required to be licensed by the state. If an institution, as defined in subsections (b), (d), (e) and (f) of section 19a-490, applies for license renewal and has been certified as a provider of services by the United States Department of Health and Human Services under Medicare or Medicaid programs within the immediately preceding twelve-month period, or if an institution, as defined in subsection (b) of section 19a-490, is currently certified, the commissioner or the commissioner's designee may waive on renewal the inspection and investigation of such facility required by this section and, in such event, any such facility shall be deemed to have satisfied the requirements of section 19a-495 for the purposes of licensure. Such license shall be valid for two years or a fraction thereof and shall terminate on March thirty-first, June thirtieth, September thirtieth or December thirty-first of the appropriate year. A license issued pursuant to this chapter, unless sooner suspended or revoked, shall be renewable biennially (1) after an unscheduled inspection is conducted by the department, and (2) upon the filing by the licensee, and approval by the department, of a report upon such date and containing such information in such form as the department prescribes and satisfactory evidence of continuing compliance with requirements established under section 19a-495. In the case of an institution, as defined in subsection (d) of section 19a-490, that is also certified as a provider under the Medicare program, the license shall be issued for a period not to exceed three years, to run concurrently with the certification period. Except in the case of a multicare institution, each license shall be issued only for the premises and persons named in the application. Such license shall not be transferable or assignable. Licenses shall be posted in a conspicuous place in the licensed premises.

(b) (1) A nursing home license may be renewed biennially after (A) an unscheduled inspection conducted by the department,

(B) submission of the information required by section 19a-491a, and (C) submission of evidence satisfactory to the department that the nursing home is in compliance with the provisions of this chapter, the Public Health Code and licensing regulations.

(2) Any change in the ownership of a facility or institution, as defined in subsection (c) of section 19a-490, owned by an individual, partnership or association or the change in ownership or beneficial ownership of ten per cent or more of the stock of a corporation which owns, conducts, operates or maintains such facility or institution, shall be subject to prior approval of the department after a scheduled inspection of such facility or institution is conducted by the department, provided such approval shall be conditioned upon a showing by such facility or institution to the commissioner that it has complied with all requirements of this chapter, the regulations relating to licensure and all applicable requirements of the Public Health Code. Any such change in ownership or beneficial ownership resulting in a transfer to a person related by blood or marriage to such an owner or beneficial owner shall not be subject to prior approval of the department unless: (A) Ownership or beneficial ownership of ten per cent or more of the stock of a corporation, partnership or association which owns, conducts, operates or maintains more than one facility or institution is transferred; (B) ownership or beneficial ownership is transferred in more than one facility or institution; or (C) the facility or institution is the subject of a pending complaint, investigation or licensure action. If the facility or institution is not in compliance, the commissioner may require the new owner to sign a consent order providing reasonable assurances that the violations shall be corrected within a specified period of time. Notice of any such proposed change of ownership shall be given to the department at least ninety days prior to the effective date of such proposed change. For the purposes of this subdivision, "a person related by blood or marriage" means a parent, spouse, child, brother, sister, aunt, uncle, niece or nephew. For the purposes of this subdivision, a change in the legal form of the ownership entity, including, but not limited to, changes from a corporation to a limited liability company, a partnership to a limited liability partnership, a sole proprietorship to a corporation and similar changes, shall not be considered a change of ownership if the beneficial ownership remains unchanged and the owner provides such information regarding the change to the department as may be required by the department in order to properly identify the current status of ownership and beneficial ownership of the facility or institution. For the purposes of this subdivision, a

public offering of the stock of any corporation that owns, conducts, operates or maintains any such facility or institution shall not be considered a change in ownership or beneficial ownership of such facility or institution if the licensee and the officers and directors of such corporation remain unchanged, such public offering cannot result in an individual or entity owning ten per cent or more of the stock of such corporation, and the owner provides such information to the department as may be required by the department in order to properly identify the current status of ownership and beneficial ownership of the facility or institution.

(c) (1) A multicare institution may, under the terms of its existing license, provide behavioral health services or substance use disorder treatment services on the premises of more than one facility, at a satellite unit or at another location outside of its facilities or satellite units that is acceptable to the patient receiving services and is consistent with the patient's assessment and treatment plan.

(2) Any multicare institution that intends to offer services at a satellite unit or other location outside of its facilities or satellite units shall submit an application for approval to offer services at such location to the Department of Public Health. Such application shall be submitted on a form and in the manner prescribed by the Commissioner of Public Health. Not later than forty-five days after receipt of such application, the commissioner shall notify the multicare institution of the approval or denial of such application. If the satellite unit or other location is approved, that satellite unit or location shall be deemed to be licensed in accordance with this section and shall comply with the applicable requirements of this chapter and regulations adopted under this chapter.

(3) The Commissioner of Public Health may adopt regulations, in accordance with the provisions of chapter 54, to carry out the provisions of this subsection. The Commissioner of Public Health may implement policies and procedures necessary to administer the provisions of this subsection while in the process of adopting such policies and procedures as regulation, provided the commissioner prints notice of intent to adopt regulations in the Connecticut Law Journal not later than twenty days after the date of implementation. Policies and procedures implemented pursuant to this section shall be valid until the time final regulations are adopted.

## Appendix 5

Sec. 19a-498. (Formerly Sec. 19-582). Inspections, investigations, examinations and audits. Retention of records. (a) Subject to the provisions of section 19a-493, the Department of Public Health shall make or cause to be made a biennial licensure inspection of all institutions and such other inspections and investigations of institutions and examination of their records as the department deems necessary.

(b) The commissioner, or an agent authorized by the commissioner to conduct any inquiry, investigation or hearing under the provisions of this chapter, shall have power to inspect the premises of an institution, issue subpoenas, order the production of books, records or documents, administer oaths and take testimony under oath relative to the matter of such inquiry, investigation or hearing. At any hearing ordered by the department, the commissioner or such agent may subpoena witnesses and require the production of records, papers and documents pertinent to such inquiry. If any person disobeys such subpoena or, having appeared in obedience thereto, refuses to answer any pertinent question put to such person by the commissioner or such agent or to produce any records and papers pursuant to the subpoena, the commissioner or such agent may apply to the superior court for the judicial district of Hartford or for the judicial district wherein the person resides or wherein the business has been conducted, setting forth such disobedience or refusal, and said court shall cite such person to appear before said court to answer such question or to produce such records and papers.

(c) The Department of Mental Health and Addiction Services, with respect to any behavioral health facility or alcohol or drug treatment facility, shall be authorized, either upon the request of the Commissioner of Public Health or at such other times as they deem necessary, to enter such facility for the purpose of inspecting programs conducted at such facility. A written report of the findings of any such inspection shall be forwarded to the Commissioner of Public Health and a copy shall be maintained in such facility's licensure file.

(d) In addition, when the Commissioner of Social Services deems it necessary, said commissioner, or a designated representative of said commissioner, may examine and audit the financial records of any nursing home facility, as defined in section 19a-521, any residential care home, as defined in section 19a-521, or any nursing facility management services

certificate holder, as defined in section 19a-561. Each nursing home facility, residential care home and nursing facility management services certificate holder shall retain all financial information, data and records relating to the operation of the nursing home facility or residential care home for a period of not less than ten years, and all financial information, data and records relating to any real estate transactions affecting such operation, for a period of not less than twenty-five years, which financial information, data and records shall be made available, upon request, to the Commissioner of Social Services or such designated representative at all reasonable times. In connection with any inquiry, examination or investigation, the commissioner or the commissioner's designated representative may issue subpoenas, order the production of books, records and documents, administer oaths and take testimony under oath. The Attorney General, upon request of said commissioner or the commissioner's designated representative, may apply to the Superior Court to enforce any such subpoena or order.

Appendix 6



DEPARTMENT OF HEALTH & HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

DEPT. OF PUBLIC HEALTH AND ADDICTION SERVICES

Office of the Regional Administrator

MAR - 7 1974

Region I John F. Kennedy Federal Bldg. Government Center Boston, MA 02203

ANSWERED REFERRED FILED

Susan Addiss, Commissioner Department of Health Services 150 Washington Street Hartford, Connecticut 06106

Dear Ms. Addiss:

The enclosed transmittal will serve as notice of the intention of the Health Care Financing Administration to update the 1864 Agreement to reflect changes as a result of legislation. These modifications are effective beginning October 1, 1993.

This notice is made in accordance with Article VII(B) of the current Agreement, which permits the Secretary to modify the Agreement to incorporate changes in the State's functions and responsibilities as a result of changes to the Act or regulations. These modifications merely update the Agreement to reflect changes as a result of the Omnibus Budget Reconciliation Act of 1990 (OBRA 90) and the Clinical Laboratory Improvement Amendments of 1988 (CLIA 88).

Under Section 1864(a) of the Social Security Act (the Act), as amended by Section 4154(d) of OBRA 90 (PL 101-508), the States having Section 1864 Agreements with the Secretary are now obligated to perform inspections of laboratories, and other related activities, to determine compliance with the requirements of the Clinical Laboratory Improvement Amendments of 1988 (CLIA 88) whether or not the laboratories also participate in Medicare.

Accordingly, a transmittal containing the updated sections of the 1864 Agreement is enclosed. The transmittal cover sheet specifies and summarizes all changes and lists the changed pages for incorporation into the Agreement.

Several Articles of the Agreement have been updated to reference the Code of Federal Regulations (CFR) Title 42, Chapter IV, in addition to the references to Section 1864, 1874, and related provisions of the Act. These updates to the current agreement are necessary to maintain consistency with the law and to reflect the increased State agency responsibilities accruing as a result of changes in the law.

DEPARTMENT OF HEALTH HOSPITAL & MEDICAL CARE DIVISION RECEIVED MAR 10 1994 ANSWERED REFERRED FILED

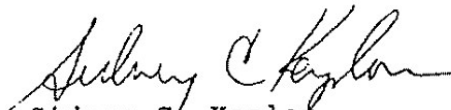
DEPARTMENT OF HEALTH SECURITY DIVISION RECEIVED MAR 7 1994 ANSWERED REFERRED FILED

The updating of the 1864 Agreement to accommodate CLIA 88 also provide the opportunity to make three additional updates in content. A subsection was added to Article II, Section A.2. of the Agreement to address the maintenance of home health agency (HHA) toll-free hotlines and a unit to investigate HHA complaints.

While we recognize that States have already implemented these provisions, this subsection was added to reflect these activities. Article I, Section A.5.h. of the Agreement is also updated to include screening mammography services, in accordance with Public Law 101-508.

Finally, one additional clause from the Federal Acquisition Regulations has been added to the list of clauses incorporated by reference in Article XV of the Agreement. This is Clause 52.232-28, which addresses Electronic Funds Transfer.

Sincerely yours,

  
Sidney C. Kaplan  
Regional Administrator

Enclosures



TRANSMITTAL OF REVISED PAGES OF THE SECTION 1864 AGREEMENT

The Section 1864 Agreement has been updated to reflect legislative changes as a result of PL100-360 and PL100-485 (home health agency toll-free hotline and complaint investigation), PL100-578 (Clinical Laboratory Improvement Amendments of 1988) and, PL101-508 (screening mammography).

The attached revised pages should be added or substituted for designated pages in the current Agreement, as indicated in the following instruction.

<u>REVISED MATERIAL</u>	<u>REVISED PAGES</u>	<u>REPLACED PAGES</u>
Cover Sheet and Index	i-ii (2 pages)	first 2 unnumbered pages
Articles I-II	1-5b (7 pages)	1-5 (5 pages)
Article IX	13 (1 page)	13 (1 page)
Article XV	18-19 (2 pages)	18 (1 page)

SUMMARY OF REVISIONS

Article I, Definitions and Delegations:

- (1) updates the supplier category by changing "independent laboratory" to "laboratory" (PL100-578) and adding screening mammography (PL101-508).
- (2) adds a definition for "other entity" to include laboratory (PL100-578), and
- (3) updates the definitions for "general instructions" and "regulations" to encompass legislative changes (PL100-578).

Article II, Functions to be Performed by the State, is updated to include:

A. Under Section 1864 of the Act

- (1) requirements of the Clinical Laboratory Improvement Amendments of 1988 (PL100-578) and the Code of Federal Regulations, Title 42, Chapter IV, and
- (2) home health agency toll-free hotline and complaint investigation maintained by the State (PL100-360 and PL100-485).

G. Effect of State and Local Licensing Requirements, provides for licensure of laboratories by States whose licensure programs have been approved by the Secretary under Section 353 of the Public Health Service Act.

Article IX, Cost of Administration, is updated to include Section M, which addresses the applicability to activities carried out in meeting the requirements of the Clinical Laboratory Improvement Amendments of 1988 (PL100-578) and the Code of Federal Regulations, Title 42, Chapter IV.

Article XV, Clauses Incorporated by Reference, is updated to include the Federal Acquisition Regulations (FAR) Clause entitled Electronic Funds Transfer, 52.232-28.2

Agreement Identifier Code: HCFA-85-CT-10/1/93 update

AGREEMENT BETWEEN

The Secretary of Health and Human Services

and

The State of Connecticut

To carry out the provisions of Sections 1864, 1874, and related provisions of the Social Security Act, as amended.

The Secretary of Health and Human Services, hereinafter referred to as the Secretary, and the State of Connecticut, (Department of Health & Addiction Services, Hospital and Medical Care Administration), hereinafter referred to as the State, hereby agree to the following terms:

## INDEX

Article No.	Title	Page No.
I.	Definitions and Delegations	1
II.	Functions to be Performed by the State	3
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Article I  
DEFINITIONS AND DELEGATIONS

A. Definition of terms for the purpose of this Agreement:

1. "Secretary" means the Secretary of Health and Human Services or the Secretary's delegate, unless otherwise specified.
2. "Act" means Title XVIII of the Social Security Act, as amended.
3. "HCFA" means the Health Care Financing Administration.
4. "Provider" or "provider of services" means an institution, or distinct part of an institution, facility or agency defined in the Act and includes but is not limited to:
  - a. Hospitals

(1) General	( 8) Maternity or Obstetric
(2) Short term	( 9) Eye, Ear, Nose and Throat
(3) Children's and Adolescent/Children's	(10) Cancer/Oncology
(4) Christian Science Sanatoriums	(11) Psychiatric
(5) Medical-surgical	(12) Rehabilitation
(6) Orthopedic	(13) Long term
(7) Gynecological	(14) Swing Bed (Hospital providers or extended care services)
  - b. Skilled nursing facilities
  - c. Home health agencies
  - d. Providers of outpatient physical therapy and/or speech pathology services
  - e. Comprehensive outpatient rehabilitation facilities
  - f. Hospices
5. "Supplier" or "supplier of services" means an individual or entity whose services are described in the Act and includes but is not limited to:
  - a. Laboratories as defined in Section 1861(s) of the Act and in 42 CFR 493.2.
  - b. Suppliers of portable x-ray services
  - c. End-stage renal disease treatment facilities

- d. Chiropractors
- e. Rural health clinics
- f. Physical therapists in independent practice
- g. Ambulatory surgical centers
- h. Screening mammography services

6. "Other entity" means an individual or unit whose health services are not described in the Act, but are described in a related Federal law and includes but is not limited to:

Laboratories as defined in CLIA (P.L. 100-578). (N.B. this definition encompasses the provisions of Section 1861(s) of the Act as well as including many laboratories that do not participate in Medicare.)

- 7. "General instructions" means operating manuals, related written instructions, and guidelines of general application issued by the Secretary pursuant to the Act and regulations in respect to matters covered by this Agreement. A general instruction for purposes of this Agreement may not be issued below the level of the Secretary's designee (i.e., Director of the Office of Survey and Certification, Regional Administrator or Associate Regional Administrator).
- 8. "Regulations" unless otherwise specified means those regulations promulgated by the Secretary pursuant to the Act and codified in the Code of Federal Regulations, Title 42, Chapter IV.
- 9. "Federal Acquisition Regulation", as used in this contract, means those parts of the Federal Acquisition Regulation (FAR), as codified in Title 48, Chapter 1 of the Code of Federal Regulations, and includes the Department of Health and Human Services Acquisition Regulation. The term FAR as reference is made hereinafter, applies as in effect on the effective date of this Agreement and as may be modified on or before each June 15 thereafter for any renewal period.
- 10. "State" means the State which is a party to this Agreement and includes the State survey agency.
- 11. "State survey agency" refers to that component within the State government which has the primary responsibility for the performance of the functions under this Agreement.

12. "Subcontract" means any contract, agreement, purchase order, or lease (including leases of real property) to obtain space, supplies, equipment, or services under this Agreement; the term "subcontractor" means any holder of one or more subcontracts. "Subcontract" does not include an agreement between the State survey agency and other State or local government agencies.
13. "Trust Fund" means either the Federal Hospital Insurance Trust Fund established by Section 1817(a) of the Act or the Federal Supplementary Medical Insurance Trust Fund established by Section 1841(a) of the Act, or both, as may be appropriate in the context of this Agreement.

B. Federal delegations of authority for the purpose of this Agreement:

The Secretary of Health and Human Services has delegated the authority for the administration of this Agreement, except for the authority to terminate the Agreement under Section 1864 of the Act, to the Administrator of the Health Care Financing Administration. This authority has been redelegated by the Administrator to the Deputy Administrator and to the Associate Administrator for Operations, and has been further redelegated to the Deputy Associate Administrator for Operations and the Regional Administrators. The Regional Administrator may retain the authority or redelegate it further to an Associate Regional Administrator.

Certain responsibilities for the administration of the Act have been or may be delegated to the Inspector General of the Department of Health and Human Services or to other components of the Department.

Article II  
FUNCTIONS TO BE PERFORMED BY THE STATE

A. Under Section 1864(a) of the Act

1. The State upon request of the Secretary shall certify whether or not providers/suppliers within the State that are participating or are asking to participate under the Act or under CLIA, comply with all applicable definitions and requirements in the Act and in implementing regulations.

In performing certification related duties, the functions of the State include, but are not limited to:

- (a) identifying potential providers and suppliers of services within the State;
- (b) explaining the requirements and conditions for qualifying as a provider or supplier of services;

- (c) surveying for the purpose of certifying to the Secretary compliance or non-compliance of providers and suppliers of services and resurveying such entities, at such times and manner as the Secretary may direct;
- (d) explaining requirements for an acceptable plan of correction for cited deficiencies; and
- (e) forwarding to the Secretary a completed Statement of Deficiencies and Plan of Correction, HCFA Form 2567, that is acceptable to the Secretary for each provider and supplier surveyed or resurveyed.

In making certifications the State shall apply the appropriate conditions of participation for providers and conditions for coverage for suppliers of services, including standards for life safety from fire, and other requirements incorporated by reference in the regulations. The application of such conditions, standards and requirements shall be in accordance with the nationally uniform survey procedures established in regulations and general instructions.

2. The State shall maintain:

(a) a toll-free hotline to:

- (1) collect, maintain, and update information on participating home health agencies; and
- (2) receive complaints and answer questions with respect to home health agencies.

(b) a unit for investigating such complaints that possesses enforcement authority and has access to relevant information.

B. Under Sections 1864(c) and 1865(a) of the Act

At the request of the Secretary, the State shall conduct validation surveys of institutions accredited by the Joint Commission on Accreditation of Health Care Organizations or the American Osteopathic Association on a selected sample basis, or because of substantial allegations of the existence of significant deficiencies. Complaints received by the State concerning accredited institutions shall be reported to the Secretary. To the extent that the Secretary finds it desirable, and in the interest of maintaining uniformity of results, representatives of the Secretary may join with the State in conducting validation surveys. The State shall assist the Secretary's representatives in investigating, documenting, and resolving differences between the findings reported by accrediting bodies and those obtained in validation surveys. The State shall similarly conduct validation surveys of providers and suppliers, accredited by other accrediting organizations on the same basis in accordance with regulations and general instructions of the Secretary.

C. Under Section 1874 of the Act

1. The State shall certify to the Secretary whether:
  - (a) Suppliers of portable x-ray services performing diagnostic x-ray tests described in Section 1861(s)(3) of the Act, meet the requirements of the Act and regulations;
  - (b) Chiropractors furnishing the services and supplies described in Sections 1861(s)(1) and 1861(s)(2)(A) of the Act, meet the requirements of Section 1861(r)(5), including whether such chiropractors are licensed or otherwise legally authorized to perform such services, and whether they meet the uniform minimum standards prescribed by the Secretary;
  - (c) End-stage renal disease treatment facilities meet the requirements of Section 1881 of the Act and implementing regulations prescribed by the Secretary;
  - (d) Physical therapists furnishing individuals with outpatient physical therapy or speech pathology services in such therapists' offices or in such individuals' homes meet the requirements of Section 1861(p) of the Act, and implementing regulations prescribed by the Secretary (including whether such physical therapists meet State licensure requirements); and
  - (e) Laboratories performing diagnostic laboratory services described in Sections 1861(s)(3), (13), (14) and (15) of the Act, meet the requirements of the Act, and regulations.
  - (f) Screening mammography services meet the requirements of Sections 1834 (c)(3) and 1861 (jj) of the Act and regulations prescribed by the Secretary.
2. The State shall assist the Secretary in collecting financial interest information that providers and suppliers are required to furnish pursuant to the Act and regulations.

D. Under Section 1819(e) and (g) of the Act

The State shall perform the prescribed functions related to skilled nursing facilities and the survey and certification process as set forth in the Act, regulations and program issuances.

E. Under the Code of Federal Regulations, Title 42, Chapter IV

1. The State shall perform the following functions related to the certification of laboratories:



(a) performing at least biennial inspections of each laboratory (except those qualifying for certificates of waiver or inspected by accreditation bodies) to assess compliance, including:

- (1) identifying and reporting of deficiencies;
- (2) evaluating personnel qualifications;
- (3) monitoring laboratory participation in an approved proficiency testing program; and
- (4) evaluating plans of correction and conducting related follow-up surveys.

(b) submitting recommendations to the Secretary concerning issuance of certificates, certificates of waiver and enforcement activity, as well as recommending sanctions;

(c) conducting validation surveys of a representative sample (specified by the Secretary) of laboratories inspected by accreditation organizations; and

(d) conducting surveys as required by the Secretary, such as complaint surveys or some surveys in certificate of waiver laboratories.

2. Exception: If the State operates an accreditation program approved by the Secretary, the Secretary will perform the validation surveys.

F. Under the Prospective Payment System (PPS)

The State shall conduct surveys of providers or parts of providers in connection with requests for exemption for PPS.

G. Effect of State and Local Licensing Requirements

The State shall certify whether or not a provider or supplier is eligible or continues to be eligible for participation in or coverage under the Medicare program. Licensure of laboratories by those States whose licensure programs have been approved by the Secretary under Section 353 (p) of the Public Health Service Act will suffice as certification for CLIA purposes.

H. Real Party in Interest

In the performance of the functions described in this Agreement, the State acts on behalf of the Secretary as a Federal contractor, carrying on for the Secretary, the administrative responsibilities imposed pursuant to law by applying and enforcing Federal standards. The Secretary, however, is the real party in interest in administering the program through this Agreement.

I. Records

The State, or any local governmental agency performing any function of the State under this Agreement, shall maintain pertinent survey, certification, statistical, or other records for a period of at least four (4) years after the date of such record.

J. Reports

The State shall make reports in the form and containing such information as the Secretary may require, and shall comply with such general instructions or regulations as the Secretary may issue regarding the accuracy of such reports. Where feasible and practicable such reporting requests will provide lead time that will facilitate any necessary adjustments in workload planning.

Article III  
COMPLIANCE WITH REGULATIONS AND GENERAL INSTRUCTIONS

The State shall comply with such regulations and general instructions as the Secretary may prescribe for the administration of this Agreement. When feasible and practicable the State will be requested to apply its program knowledge and experience to participate in the development of general instructions.

Article IV  
ORGANIZATION AND PERSONNEL

A. Organization

1. The State shall organize most of the functions under this Agreement within a single State survey agency.
2. The State shall provide facilities and employ qualified personnel necessary to carry out the functions under this Agreement. The placement of survey personnel within the State survey agency, or any other agency of the State dedicated to fulfilling the functions of this Agreement, shall be subject to the approval of HCFA.
3. With prior written authorization of the Secretary, the State may utilize the services, facilities, and records of any other State agency or local governmental agency to assist the State survey agency in carrying out the functions authorized by this Agreement. Only the reasonable and necessary costs incurred by such agencies in furnishing to the State survey agency such services, facilities, or records, may be allowed under this Agreement, in accordance with Article IX.

B. Personnel

1. Personnel of the State performing functions under this Agreement shall meet the Federal surveyor qualification standards specified in general instructions.
2. Upon request of the Secretary, personnel employed or utilized by the State in carrying out the functions under this Agreement will participate in programs designed to develop and maintain the proficiency of personnel directly involved in survey or certification activities. These programs include but are not limited to surveyor orientation, basic surveyor training, and specialty surveyor training. Survey personnel will attend meetings, conferences, or training programs within or outside the State as may be required by the Secretary.
3. The State shall require any local governmental agency performing services pursuant to Paragraph A, section 2, of this Article to follow the general instructions applicable to surveyor qualifications and the merit system standards applicable to the State.

4. Standards for a merit system of personnel administration consistent with the Federal regulation in 5 CFR, Chapter I, Subpart F - Standards for a Merit System of Personnel Administration, shall be maintained by the State and made applicable to personnel in any State or local agency involved in the performance of this Agreement.

Article V  
EVALUATION

- A. The Secretary has the right periodically to evaluate the State's performance under this Agreement. The Secretary may maintain onsite representatives with the State or a subcontractor for the duration of any such evaluation.
- B. When an evaluation is made by the Secretary on the premises of the State or a subcontractor, the State shall provide, and shall require its subcontractor(s) to provide, all reasonable facilities and assistance for the safety and convenience of the Secretary's representatives in the performance of their functions. The State shall furnish to the Secretary such records and reports as the Secretary may require to evaluate the State's performance under this Agreement. All evaluations by the Secretary shall be performed in such a manner as will not unduly delay the State's functions under this Agreement.
- C. The Secretary makes evaluations primarily through a planned program of Federal surveys of providers and suppliers previously surveyed by the State and through its national State Agency Evaluation Program (SAEP).

The SAEP is designed to evaluate the manner and extent to which the State meets performance standards. Major operational specifics for the performance standards are detailed in the State Operations Manual (HCFA Pub. 7).

The performance standards include, but are not limited to the following:

1. Organization and staffing of the State survey agency to enable fulfillment of the functions required under this Agreement.
2. Surveys are planned, scheduled, conducted, and processed timely.
3. Survey findings are supportable.
4. Certifications are fully documented, and consistent with applicable law, regulations, and general instructions.
5. Current written internal operating procedures are consistent with program requirements.

6. A plan of correction is requested from a provider/supplier having deficiencies that do not pose an immediate and/or serious threat to patients, or do not limit the capacity to furnish care or services. The State follows    with providers and suppliers until deficiencies are corrected.
  7. When certifying noncompliance, adverse action procedures set forth in regulations and general instructions are adhered to.
  8. Supervisory reviews and evaluations of surveyor performance are made routinely.
  9. Required financial and budget reports are submitted on time and completed in accordance with general instructions.
  10. All expenditures and charges to the program are substantiated to the Secretary's satisfaction.
  11. Actual survey and certification activities are consistent with the annual activity plan and workload estimate approved by HCFA.
  12. The performance of agencies utilized to perform specific functions under this Agreement are monitored.
  13. Ongoing surveyor training programs develop and maintain surveyor proficiency.
  14. Results of complaint investigations against providers and suppliers are considered in making certification decisions.
- D. If a formal evaluative report is prepared that reflects deficiencies in the State's performance under this Agreement or proposes corrective action to be taken by the State, the Secretary shall:
1. furnish a copy to the State; and
  2. discuss any corrective actions proposed in the report with the State in order to establish reasonable and practicable time frames for implementation.
- E. When the Secretary determines that the State is not able or is not willing to perform part or all of the functions and responsibilities prescribed in this Agreement, the Secretary may terminate the Agreement in whole or in part, in accordance with Article VIII.

Article VI  
TERM OF AGREEMENT

- A. This Agreement shall begin on October 1, 1991, and end on September 30, 1992. The Agreement is automatically renewed for periods of one (1) year unless the Secretary or the State gives written notice of its intention not to renew the Agreement at least 90 days from the end of the current term.
  
- B. Any notice under Paragraph A of this Article shall be deemed to have been given upon the date such notice was mailed, as established by the postmark or other appropriate evidence of the date of transmittal. Whenever the State gives notice of its intention not to renew this Agreement it shall, prior to mailing such notice, notify the appropriate HCFA Regional Administrator, by telephone or other oral communications, of its intention not to renew this Agreement.

Article VII  
MODIFICATION OF AGREEMENT

- A. This Agreement may be modified at any time by mutual written consent of the Secretary and the State.
- B. The Secretary may modify this Agreement to incorporate changes in the State's functions and responsibilities as a result of changes to the Act or regulations.
- C. Prior to any modification under Paragraph B of this Article, the Secretary shall consult with the State and participate in planning for adjustments which might be necessary. Thereafter, the Secretary shall provide the State written notice that the modification is to be made not more than 90 days after the date specified in the notice (or such other date as may be required by statute). If the State notifies the Secretary within 10 days of receipt of the Secretary's notification, the State may terminate this Agreement not less than 90 days after the date specified in the notice and shall not be required to implement any modification of this Agreement provided for in such notification during such 90 day period.

Article VIII  
TERMINATION OF AGREEMENT

- A. This Agreement may be terminated at any time by mutual written consent of the parties to the Agreement.
- B. The State may terminate this Agreement at any time upon 180 days written notice to the Secretary.
- C. If the Secretary determines that the State is not able or willing to carry out part or all of the functions under this Agreement (including a determination that the State has failed to meet a performance standard(s) as described in Article V and detailed in the State Operations Manual), the Secretary may terminate the Agreement in whole or in part, or exclude specific classes of providers and/or suppliers identified in Article I from the State's survey and certification functions under this Agreement, or otherwise limit or decrease its scope.
- D. If this Agreement is terminated pursuant to the terms of this Article, the State shall be paid the allowable costs incurred in terminating this Agreement in accordance with Article IX, Paragraph F.

- E. If this Agreement is terminated or nonrenewed by either the Secretary or the State, the State shall use its best efforts to accomplish an orderly transition of its functions under this Agreement to the successor survey entity.

Article IX  
COST OF ADMINISTRATION

- A. The Secretary's fiscal obligation under this Agreement is contingent upon the apportionment to the Secretary of appropriated funds for the applicable fiscal year from which payment for the cost of performing the functions of this Agreement can be made. No legal liability on the part of the Secretary for any payment, nor any legal obligation of the State to perform, may arise until the State receives notice from the Secretary that funds have been made available for this Agreement. Moreover, in no event shall the Secretary's obligation under this Agreement exceed the amount of funds which have been obligated to this Agreement.
- B. The State will be given sufficient opportunity prior to the beginning of every Federal fiscal year to prepare a State survey agency activity plan and budget estimate based on HCFA's activity plan and budget estimate for that forthcoming Federal fiscal year. On this basis, the State will submit to the Secretary, at such time and in such form as the Secretary may prescribe, a budget request that provides an estimate of costs to be incurred by the State (through the State survey agency and other State and local agencies) for performing the functions under this Agreement for the period corresponding to the Federal fiscal year that begins on October 1 and ends on September 30. The budget request will include cost estimates accompanied by such supporting documents as may be prescribed by the Secretary.
- C. The Secretary will not reimburse the State for any costs attributable to the general expenses of the State in carrying out functions of State government which are not related to this Agreement. The State budget request must equitably apportion the costs attributable to expenses incurred by the State for conducting activities related to but distinguishable from, activities conducted under the Act and this Agreement. The Secretary will reimburse the State for HCFA's fair share of the costs attributable to such planning and other efforts as the State may perform directed towards the coordination of activities in carrying out this Agreement and other activities related to the provision of services similar to those for which payment may be made under the Act, or related to the facilities and personnel required for the provision of services, or related to improving the quality of such services. The Secretary will determine the amount of such costs allocable to this Agreement on the basis of information submitted by the State, setting forth the plans proposed for coordinating its functions under this Agreement with such other activities.



- D. The Secretary and the State will negotiate the amount of the annual budget, and any revisions thereto, based on the budget request submitted by the State. After the negotiations between the Secretary and the State on the amount of the annual budget, or any revisions thereto, the Secretary will issue a notice specifying such budget in an amount calculated to pay the costs of administering this Agreement. Such budgeted amount for the purpose of obligation of funds by the Secretary shall be a ceiling which the State may not exceed without the prior written approval of the Secretary.

The State may, at any time during the fiscal year, submit appropriate revisions to the estimated amount of its budget as a result of any modification to this Agreement or functions thereunder. The Secretary will determine if a revision to the amount of the estimated budget is appropriate and on that basis will make any adjustments to the budgeted amount.

- E. If at any time it appears to the State that the budgeted amount is not sufficient to cover costs incurred and estimated to be incurred in the fiscal year, the State shall so notify the Secretary promptly. Such notification may be by telephone or telegraph with later confirmation by letter and will contain proposals as to how costs expected to be incurred may be reduced. The Secretary and the State will promptly negotiate ways and means of resolving the matter for the purpose of ensuring that the State will not incur costs in excess of the budgeted amount. If, after negotiating in good faith, the parties are unable to find a satisfactory solution to the matter, the Secretary will give the State written notice as to what measures to take in order to avoid incurring costs in excess of the budgeted amount.

Notwithstanding any other provisions of this Agreement, if the Secretary notifies the State to abate the performance of a function, there shall be no obligation on the part of the Secretary for costs incurred by the State in the performance of such function beyond the effective date of the notice to abate or the date such notice is received, whichever is later.

However, the allowability of any costs incurred by the State in the implementation of any such abatement directed by the Secretary will be governed by the provisions of the Federal Acquisition Regulation applicable to termination costs.

- F. The Secretary is not obligated to reimburse the State for costs incurred in excess of the budgeted amount. The State is not obligated to incur costs in excess of the budgeted amount until the Secretary notifies the State, in writing, that the budgeted amount has been increased.

- G. Subject to the foregoing provisions of this Article, the Secretary shall pay to the State the total amount of allowable costs incurred by the State in the performance of this Agreement. The costs allowable under this Agreement will be determined in accordance with Subpart 31.6 of the Federal Acquisition Regulation.

The FAR provides that the allowability of costs under the Agreement will be determined in accordance with Office of Management and Budget Circular No. A-87, "Cost Principles for State and Local Governments."

- H. The State shall comply with applicable regulations and general instructions for property purchased with funds provided under this Agreement. Funds provided by the Secretary under this Agreement will be used solely for the reasonable and necessary costs of the State in performing the functions authorized by this Agreement.
- I. If the State utilizes any service or material purchased or contracted for pursuant to this Agreement for purposes other than those authorized by the Agreement, the cost of such service or material will be prorated, pursuant to State Operations Manual procedures issued by the Secretary and applicable cost principles. Only that part that is attributable to the performance of functions authorized by this Agreement may be considered a reasonable and necessary cost for the performance of this Agreement.
- J. The State shall submit to the Secretary a report, including supporting data, of the allowable costs incurred by it during each quarter of the Federal fiscal year. This report is due to the Secretary no later than 30 days after the close of the quarter in which such costs were incurred.

Negotiations on the amount of administrative costs of the State to be allowed by the Secretary shall be undertaken by the Secretary and the State, based upon the State's quarterly statements.

Such items of costs on which the Secretary and the State are unable to agree will continue to be negotiated and, if not resolved, are subject to a subsequent determination by the Secretary in accordance with Paragraph K of this Article. To the extent unpaid, such amounts which are agreed upon shall be paid promptly by the Secretary.

- K. If the Secretary and the State are unable to agree upon a final amount of the administrative costs of the State for a particular quarter or other period, the Secretary shall issue a final determination of the amount of such administrative costs for such period and inform the State of such costs, with a full explanation of the exceptions taken to the State's report of its allowable costs.

The State may appeal the final determination in accordance with the provisions of Article XIV of this Agreement, entitled "Disputes." Where a particular cost or type of cost is disallowed by final determination of the Secretary, and the State is not in agreement with the Secretary's disallowance, the State shall, for any subsequent claims, abide by the decision of the Secretary and agrees not to be reimbursed pending resolution of any amounts of such costs. Until the issue is resolved, the State shall segregate such costs from all others, and specify the amounts of such costs on all subsequent claims. Any funds withdrawn through the letter of credit in excess of the amount finally determined to be allowable must be returned promptly to the Secretary.

- L. The State shall furnish or make available such supplemental accounts, records, or other information as may be requested by the Secretary to substantiate any estimates, expenditures, or reports as may be necessary for auditing purposes, or to verify the allowability of the State's expenditures under this Agreement.
- M. All sections in this article are applicable for activities carried out by the State under the Clinical Laboratory Improvement Amendments of 1988 (CLIA '88) and the Code of Federal Regulations, Title 42, Chapter IV. The State shall submit a separate budget request and cost report for CLIA '88 activities, and the Secretary will reimburse the State for those costs incurred in performing the functions referred to in Article II, Section D, which are allowable under the terms of this Agreement.

#### Article X SUBCONTRACTING

- A. The State shall not enter into any subcontract to perform any of the functions set forth in Article II of this Agreement unless such subcontract receives the prior written approval of the Secretary.
- B. The State shall not enter into any subcontract under this Agreement not controlled by Paragraph A of this Article, if any part of the cost of the subcontract is allocable to this Agreement and if the subcontract provides for payment on a cost-plus-fixed-fee-basis, regardless of amount, or where the estimated cost of such subcontract exceeds, or is expected to exceed \$25,000, without the prior written approval of the Secretary.

- C. Any modification to a subcontract which requires the prior written approval of the Secretary must be submitted to the Secretary for prior written approval.
- D. If the State enters into a subcontract, or modifies an existing subcontract without the prior written approval of the Secretary, where required, the Secretary is not obligated to reimburse the State for costs incurred with respect to such subcontract or modification.
- E. The requirement for prior written approval may be waived by the Secretary in writing, where requiring such approval is administratively impracticable and the State secures the waiver in advance of entering into or modifying a subcontract. In addition, the Secretary may ratify any subcontract in writing. Such ratification shall constitute the approval of the Secretary.
- F. Prior written approval given by the Secretary with respect to a subcontract or modification hereto does not constitute a determination of the allowability of costs, unless so stipulated.
- G. The State shall select subcontractors on a competitive basis to the maximum practicable extent consistent with the objectives and requirements of this Agreement.
- H. For any subcontract or modification of a subcontract entered into or renewed under this Agreement, where the estimated cost to this Agreement under the subcontract exceeds \$500,000 and is not based on adequate price competition, established catalog or market prices of commercial items sold in substantial quantities to the general public, or prices set by law or regulation, the State shall, in accordance with Subpart 15.8 of the Federal Acquisition Regulation, require the subcontractor to submit written cost or pricing data and certify that the cost or pricing data submitted were accurate, complete, and current prior to the entry into the subcontract or modification of a subcontract. The State shall, through inclusion in all such subcontracts, require subcontractors to maintain full and complete accounting records, support costs or pricing data submitted as aforesaid, to require subcontractors to provide for full access by the State, the Secretary, and the Comptroller General of the United States for the purpose of examining the accuracy of cost or pricing data submitted as aforesaid, and in accordance with Subpart 15.8 of the Federal Acquisition Regulation, to agree to a reduction in price if the cost of pricing data submitted are found to be defective.
- I. No subcontract under this Agreement may provide for payment on a cost-plus-percentage-of-cost basis, and any fee payable under limitations in subsection 16.301-3 of the Federal Acquisition Regulation.

Article XI  
TRANSFER OF FUNDS THROUGH LETTER OF CREDIT

- A. The Secretary will provide for an advance of funds by a letter of credit to the State's designated commercial bank to authorize the withdrawal of funds from the United States Treasury in accordance with the governing Treasury instruction 31 CFR Part 205 (Circular No. 1075). Each letter of credit will authorize the State's commercial bank to process payment vouchers drawing on funds made available through the Federal Reserve Bank or branch. More specific Letter of Credit procedures are provided to each State via the Departmental Federal Assistance Financing System Users Guide.
- B. The letter of credit will specify a maximum monthly amount that may be withdrawn during each month by the State. Such amounts will normally be 1/12 of the approved annual budget unless the Secretary and the State have agreed to other allotments of payment. Amounts available for withdrawal but not withdrawn in any month may be carried over to the following months within the fiscal year. The authorized official of the State may make withdrawals only to the extent that funds are currently needed to meet estimated expenditures. Withdrawals may not be made to the extent that cash on hand or in banks renders further withdrawals unnecessary or premature. If the amount specified in the letter of credit is not sufficient to meet estimated expenditures, the letter of credit may be modified by the Secretary.

Article XII  
EXAMINATION OF RECORDS

- A. The Secretary and the Comptroller General of the United States or a duly authorized representative, until three (3) years after final payment under this Agreement or for any other period specified in Federal Acquisition Regulation (FAR) Subpart 4.7, "Contractor Records Retention," has access to and the right to examine any of the State's directly pertinent books, documents, papers, or other records involving transactions related to this Agreement.
- B. The State agrees to include in first-tier subcontracts under this Agreement a clause to the effect that the Secretary and the Comptroller General or a duly authorized representative, until three (3) years after final payment under the subcontract or for any other period specified in FAR Subpart 4.7, has access to and the right to examine any of the subcontractor's directly pertinent books, documents, papers, or other records involving transactions related to the subcontract. "Subcontract," as used in this Article, excludes (1) purchase orders not exceeding \$10,000; and (2) subcontracts or purchase orders for public utility services at rates established to apply uniformly to the public, plus any applicable reasonable connection charge.

- C. The periods of access and examination in Paragraphs A and B above for records relating to (1) appeals under Article XIV; (2) litigation or settlement of claims arising from the performance of this Agreement or; (3) costs and expenses of this Agreement to which the Secretary or the Comptroller General or a duly authorized representative has taken exception, shall continue until such appeals, litigation, claims, or exceptions are finally disposed of.

#### Article XIII

#### CONFIDENTIAL NATURE AND LIMITATIONS ON USE OF INFORMATION AND RECORDS

- A. The State shall adopt policies and procedures to ensure that information contained in its records and obtained from the Secretary or from any provider or supplier of service will be disclosed only as provided in the Act or regulations.
- B. The Privacy Act of 1974, 5 U.S.C. 552a, is applicable to this Agreement in accordance with Paragraph A(1) of Article XV.

#### Article XIV DISPUTES

- A. This Agreement is subject to the Contract Disputes Act of 1978 (41 U.S.C. 601-613), referred to in this Article as the "CDA."
- B. Except as provided in the CDA, all disputes arising under or relating to this Agreement shall be resolved under this Article.
- C. "Claim," as used in this Article, means a written demand or written assertion by one of the parties to this Agreement seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of contract terms, or other relief arising under or relating to this Agreement. A claim arising under an Agreement, unlike a claim relating to that Agreement, is a claim that can be resolved under an Article of the Agreement that provides for the relief sought by the claimant. However, a written demand or written assertion by the State seeking the payment of money exceeding \$50,000 is not a claim under the CDA until certified as required by Paragraph D, section 2 of this Article. A voucher, invoice, or other routine request for payment that is not in dispute when submitted is not a claim under the CDA. The submission may be converted to a claim under the CDA, by complying with the submission and certification requirements of this Article, if it is disputed either as to liability or amount or is not acted upon in a reasonable time.
- D. 1. A claim by the State shall be made in writing and submitted to the Secretary for a written decision. A claim by the Government against the State shall be subject to a written decision by the Secretary.

2. For State claims exceeding \$50,000, the State shall submit with the claim a certification that:
  - (a) the claim is made in good faith;
  - (b) supporting data are accurate and complete to the best of the State's knowledge and belief; and
  - (c) the amount requested accurately reflects the contract adjustment for which the State believes the Government is liable.
3. The certification shall be executed by:
  - (a) the State official in charge of the State survey agency or the agency of which the State survey agency is a component; or
  - (b) as appropriate, an official of the State having overall responsibility for the conduct of the State's affairs.
- E. For State claims of \$50,000 or less the Secretary must, if requested in writing by the State, render a decision within 60 days of the request. For State certified claims over \$50,000, the Secretary must, within 60 days, decide the claim or notify the State of the date by which the decision will be made.
- F. The Secretary's decision shall be final unless the State appeals or files a suit as provided in the CDA.
- G. The Government shall pay interest on the amount found due and unpaid from (1) the date the Secretary receives the claim (properly certified if required), or (2) the date payment otherwise would be due, if that day is later, until the date of payment. Simple interest on claims shall be paid at the rate, fixed by the Secretary of the Treasury as provided in the CDA, which is applicable to the period during which the Secretary receives the claim and then at the rate applicable for each 6-month period as fixed by the Treasury Secretary during the pendency of the claim.
- H. The State shall proceed diligently with performance of this Agreement, pending final resolution of any request for relief, claim, appeal, or action arising under the Agreement, and comply with any decision of the Secretary.

Article XV  
CLAUSES INCORPORATED BY REFERENCE

The following clauses are hereby incorporated into and are made a part of this Agreement. For purposes of these clauses, the term "Contractor" means the "State," and "Contracting Officer" or "Project Officer" means the "Secretary" or "Secretary's designee."

A. Federal Acquisition Regulation (FAR) Clauses (48 CFR Chapter 1)

<u>Title</u>	<u>FAR Reference</u>
1. Officials Not To Benefit	52.203-1
2. Gratuities	52.203-3
3. Restrictions on Subcontractor Sales to the Government	52.203-6
4. Anti-Kickback Procedures	52.203-7
5. Requirement for Certificate of Procurement Integrity--Modification	52.203-9
6. Limitation on Payments to Influence Certain Federal Transactions	52.203-12
7. Price Reduction for Defective Cost or Pricing Data 52.215-22	
8. Price Reduction for Defective Cost or Pricing Data--Modifications	52.215-23
9. Subcontractor Cost or Pricing Data	52.215-24
10. Subcontractor Cost or Pricing Data--Modifications	52.215-25
11. Utilization of Small Business Concerns and Small Disadvantaged Business Concerns	52.219-8
12. Small Business and Small Disadvantaged Business Subcontracting Plan	52.219-9
13. Utilization of Women-Owned Small Businesses	52.219-13
14. Utilization of Labor Surplus Area Concerns	52.220-3
15. Notice to the Government of Labor Disputes	52.222-1
16. Convict Labor	52.222-3
17. Equal Opportunity	52.222-26
18. Affirmative Action for Special Disabled and Vietnam Era Veterans	52.222-35
19. Affirmative Action for Handicapped Workers	52.222-36
20. Employment Reports on Special Disabled and Vietnam Era Veterans	52.222-37
21. Clean Air and Water	52.223-2
22. Drug Free Workplace	52.223-6
23. Privacy Act Notification	52.224-1
24. Privacy Act	52.224-2
25. Restrictions on Contracting with Sanctioned Persons	52.225-13
26. Rights in Data - General	52.227-14
27. Limitation on Withholding of Payment	52.232-9



28. Assignment of Claims	52.232-23
29. Protest After Award	52.233-3
30. Notice of Intent to Disallow Costs	52.242-1
31. Government Property	52.245-5
32. Clauses Incorporated by Reference	52.252-2

B. Department of Health and Human Services Acquisition  
Regulation (HHSAR) Clauses (48 CFR Chapter 3)

<u>Title</u>	<u>HHSAR Reference</u>
1. Required Insurance	352.228-70
2. Withholding of Contract Payments	352.232-9
3. Litigation and Claims	352.233-70
4. Final Decisions on Audit Findings	352.242-71
5. Paperwork Reduction Act	352.270-7

X-AG-1

AGREEMENT Identifier Code: HCFA-85-CT

AGREEMENT BETWEEN

The Secretary of Health and Human Services

and

The State of Connecticut

To carry out the provisions of Sections 1864, 1874, and related provisions of the Social Security Act, as amended.

The Secretary of Health and Human Services, hereinafter referred to as the Secretary, and the State of Connecticut,

( State of Connecticut Department of Health Services ),  
State Survey Agency

hereinafter referred to as the State, hereby agree to the following terms:

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Article I  
DEFINITIONS AND DELEGATIONS

A. Definition of terms for the purpose of this Agreement:

1. "Secretary" means the Secretary of Health and Human Services or the Secretary's delegate, unless otherwise specified.
2. "Act" means Title XVIII of the Social Security Act, as amended.
3. "HCFA" means the Health Care Financing Administration.
4. "Provider" or "provider of services" means an institution, or distinct part of an institution, facility or agency defined in the Act and includes but is not limited to:

a. Hospitals

- |  |   |
|--|---|
| (1) General                              | (8) Maternity or Obstetric                                    |
| (2) Short term                           | (9) Eye, Ear, Nose and Throat                                 |
| (3) Children's and Adolescent/Children's | (10) Cancer/Oncology  |
| (4) Christian Science Sanatoriums        | (11) Psychiatric  |
| (5) Medical-surgical                     | (12) Rehabilitation   |
| (6) Orthopedic                           | (13) Long term  |
| (7) Gynecological                        | (14) Swing Bed (Hospital providers of extended care services) |

b. Skilled nursing facilities

c. Home health agencies

d. Providers of outpatient physical therapy and/or speech pathology services

e. Comprehensive outpatient rehabilitation facilities

f. Hospices

5. "Supplier" or "supplier of services" means an individual or entity whose services are described in the Act and includes but is not limited to:

a. Independent laboratories

b. Suppliers of portable X-ray services

- c. End-stage renal disease treatment facilities
  - d. Chiropractors
  - e. Rural health clinics
  - f. Physical therapists in independent practice
  - g. Ambulatory surgical centers
6. "General instructions" means operating manuals, related written instructions, and guidelines of general application issued by the Secretary pursuant to the Act and regulations in respect to matters covered by this Agreement. A general instruction for purposes of this Agreement may not be issued below the level of the Secretary's designee (i.e. Director of the Office of Survey and Certification, Regional Administrator or Associate Regional Administrator).
  7. "Regulations" unless otherwise specified, means those regulations promulgated by the Secretary pursuant to the Act and codified in the Code of Federal Regulations, Title 42, Chapter IV.
  8. "Federal Acquisition Regulation" means those parts of the Federal Acquisition Regulation (FAR) to which reference is made herein-after, as in effect on April 1, 1984, codified in Title 48 of the Code of Federal Regulations, and includes the Department of Health and Human Services Acquisition Regulation.
  9. "State" means the State which is a party to this Agreement and includes the State survey agency.
  10. "State survey agency" refers to that component within the State government which has the primary responsibility for the performance of the functions under this Agreement.
  11. "Subcontract" means any contract, agreement, purchase order, or lease (including leases of real property) to obtain space, supplies, equipment, or services under this Agreement; the term "subcontractor" means any holder of one or more subcontracts. "Subcontract" does not include an agreement between the State survey agency and other State or local government agencies.
  12. "Trust Fund" means either the Federal Hospital Insurance Trust Fund established by Section 1817(a) of the Act or the Federal Supplementary Medical Insurance Trust Fund established by Section 1841(a) of the Act, or both, as may be appropriate in the context of this Agreement.

B. Federal delegations of authority for the purpose of this Agreement:

The Secretary of Health and Human Services has delegated the authority for the administration of this Agreement, except for the authority to terminate the Agreement under Section 1864 of the Act, to the Administrator of the Health Care Financing Administration. This authority has been

re delegated by the Administrator to the Deputy Administrator and to the Associate Administrator for Operations, and has been further re delegated to the Deputy Associate Administrator for Operations and the Regional Administrators. The Regional Administrator may retain the authority or re delegate it further to an Associate Regional Administrator.

Certain responsibilities for the administration of the Act have been or may be delegated to the Inspector General of the Department of Health and Human Services or to other components of the Department.

Article II  
FUNCTIONS TO BE PERFORMED BY THE STATE

A. Under Section 1864(a) of the Act

1. The State upon request of the Secretary shall certify whether or not providers/suppliers within the State that are participating or are asking to participate under the Act, comply with all applicable definitions and requirements in the Act and in implementing regulations.

In performing certification related duties, the functions of the State include, but are not limited to:

- (a) identifying potential providers and suppliers of services within the State;
- (b) explaining the requirements and conditions for qualifying as a provider or supplier of services;
- (c) surveying for the purpose of certifying to the Secretary compliance or non-compliance of providers and suppliers of services and resurveying such entities, at such times and manner as the Secretary may direct;
- (d) explaining requirements for an acceptable plan of correction for cited deficiencies; and
- (e) forwarding to the Secretary a completed Statement of Deficiencies and Plan of Correction, HCFA Form 2567, that is acceptable to the Secretary for each provider and supplier surveyed or resurveyed.

In making certifications the State shall apply the appropriate conditions of participation for providers and conditions for coverage for suppliers of services, including standards for life safety from fire, and other requirements incorporated by reference in the regulations. The application of such conditions, standards and requirements shall be in accordance with the nationally uniform survey procedures established in regulations and general instructions.

B. Under Sections 1864(c) and 1865(a) of the Act

1. At the request of the Secretary, the State shall conduct validation surveys of institutions accredited by the Joint Commission on Accreditation of Hospitals or the American Osteopathic Association on a selected sample basis, or because of substantial allegations of the existence of significant deficiencies. Complaints concerning accredited institutions received by the State shall be reported to the Secretary. To the extent that the Secretary finds it desirable and in the interest of maintaining uniformity of results, representatives of the Secretary may join with the State in conducting validation surveys. The State shall assist the Secretary's representatives in investigating, documenting, and resolving differences between the findings reported by accrediting bodies and those obtained in validation surveys. The State shall similarly conduct validation surveys of providers and suppliers, accredited by other accrediting organizations on the same basis in accordance with regulations and general instructions of the Secretary.
2. Exception. Validation surveys on a selective sample basis of clinical laboratories in accredited hospitals are not covered by this Agreement.

C. Under Section 1874 of the Act

1. The State shall certify to the Secretary whether:
  - (a) Suppliers of portable X-ray services performing diagnostic X-ray tests described in Section 1861(s)(3) of the Act, meet the requirements of the Act and regulations;
  - (b) Chiropractors furnishing the services and supplies described in Sections 1861(s)(1) and 1861(s)(2)(A) of the Act, meet the requirements of Section 1861(r)(5), including whether such chiropractors are licensed or otherwise legally authorized to perform such services, and whether they meet the uniform minimum standards prescribed by the Secretary;
  - (c) End-stage renal disease treatment facilities meet the requirements of Section 1881 of the Act and implementing regulations prescribed by the Secretary;
  - (d) Physical therapists furnishing individuals with outpatient physical therapy or speech pathology services in such therapists' offices or in such individuals' homes meet the requirements of Section 1861(p) of the Act, and implementing regulations prescribed by the Secretary (including whether such physical therapists meet State licensure requirements).
  - (e) Independent clinical laboratories performing diagnostic laboratory services described in Sections 1861(s)(3), (11) and (12) of the Act, meet the requirements of the Act and regulations.
  - (f) Clinical laboratories performing tests (diagnostic laboratory services) or procedures in interstate commerce meet the

requirements of the Clinical Laboratory Improvement Act  
(Section 353 of the Public Health Service Act, 42 USC 263a)  
and regulations (42 CFR Part 74).

2. The State shall assist the Secretary in collecting financial interest information that providers and suppliers are required to furnish pursuant to the Act and regulations.

D. Under the Prospective Payment System (PPS)

The State shall conduct surveys of providers or parts of providers in connection with requests for exemption from PPS.

E. Effect of State and Local Licensing Requirements

The State shall certify whether or not a provider or supplier is eligible or continues to be eligible for participation in or coverage under the Medicare program whether or not that State's licensure program provides for the licensing of that provider or supplier.

F. Real Party in Interest

In the performance of the functions described in this Agreement, the State acts on behalf of the Secretary as a Federal contractor, carrying on for the Secretary, the administrative responsibilities imposed pursuant to law by applying and enforcing Federal standards. The Secretary, however, is the real party in interest in administering the program established by the Act.

G. Records

The State, or any local governmental agency performing any function of the State under this Agreement, shall maintain pertinent survey, certification, statistical, or other records for a period of at least four (4) years after the date of such record.

H. Reports

The State shall make reports in the form and containing such information as the Secretary may require, and shall comply with such general instructions or regulations as the Secretary may issue regarding the accuracy of such reports. Where feasible and practicable such reporting requests will provide lead time that will facilitate any necessary adjustments in workload planning.

Article III  
COMPLIANCE WITH REGULATIONS AND GENERAL INSTRUCTIONS

The State shall comply with such regulations and general instructions as the Secretary may prescribe for the administration of this Agreement. When feasible and practicable the State will be requested



to apply its program knowledge and experience to participate in the development of general instructions.

Article IV  
ORGANIZATION AND PERSONNEL

A. Organization

1. The State shall organize most of the functions under this Agreement within a single State survey agency.
2. The State shall provide facilities and employ qualified personnel necessary to carry out the functions under this Agreement. The placement of survey personnel within the State survey agency, or any other agency of the State dedicated to fulfilling the functions of this Agreement, shall be subject to the approval of HCFA.
3. With the prior written authorization of the Secretary, the State, may utilize the services, facilities, and records of any other State agency or local governmental agency to assist the State survey agency in carrying out the functions authorized by this Agreement. Only the reasonable and necessary costs incurred by such agencies in furnishing to the State survey agency such services, facilities, or records, may be allowed under this Agreement, in accordance with Article IX.

B. Personnel

1. Personnel of the State performing functions under this Agreement shall meet the Federal surveyor qualification standards specified in general instructions.
2. Upon request of the Secretary, personnel employed or utilized by the State in carrying out the functions under this Agreement will participate in programs designed to develop and maintain the proficiency of personnel directly involved in survey or certification activities. These programs include but are not limited to surveyor orientation, basic surveyor training, and specialty surveyor training. Survey personnel will attend meetings, conferences, or training programs within or outside the State as may be required by the Secretary.
3. The State shall require any local governmental agency performing services pursuant to Paragraph A, section 2, of this Article to follow the general instructions applicable to surveyor qualifications and the merit system standards applicable to the State.

4. Standards for a merit system of personnel administration consistent with the Federal regulation in 5 CFR, Chapter 1, Subpart F - Standards for a Merit System of Personnel Administration, shall be maintained by the State and made applicable to personnel in any State or local agency involved in the performance of this Agreement.

Article V  
EVALUATION

- A. The Secretary has the right periodically to evaluate the State's performance under this Agreement. The Secretary may maintain onsite representatives with the State or a subcontractor for the duration of any such evaluation.
- B. When an evaluation is made by the Secretary on the premises of the State or a subcontractor, the State shall provide, and shall require its subcontractor(s) to provide, all reasonable facilities and assistance for the safety and convenience of the Secretary's representatives in the performance of their functions. The State shall furnish to the Secretary such records and reports as the Secretary may require to evaluate the State's performance under this Agreement. All evaluations by the Secretary shall be performed in such a manner as will not unduly delay the State's functions under this Agreement.
- C. The Secretary makes evaluations primarily through a planned program of Federal surveys of providers and suppliers previously surveyed by the State and through its national State Agency Evaluation Program (SAEP).

The SAEP is designed to evaluate the manner and extent to which the State meets performance standards. Major operational specifics for the performance standards are detailed in the State Operations Manual (HCFA Pub. 7).

The performance standards include, but are not limited to the following:

1. Organization and staffing of the State survey agency enables fulfillment of the functions required under this Agreement.
2. Surveys are planned, scheduled, conducted, and processed timely.
3. Survey findings are supportable.
4. Certifications are fully documented, and consistent with applicable law, regulations, and general instructions.
5. Current written internal operating procedures are consistent with program requirements.

6. A plan of correction is requested from a provider/supplier having deficiencies that do not pose an immediate and/or serious threat to patients, or do not limit the capacity to furnish care or services. The State follows up with providers and suppliers until deficiencies are corrected.
  7. When certifying noncompliance, adverse action procedures set forth in regulations and general instructions are adhered to.
  8. Supervisory reviews and evaluations of surveyor performance are made routinely.
  9. Required financial and budget reports are submitted on time and completed in accordance with general instructions.
  10. All expenditures and charges to the program are substantiated to the Secretary's satisfaction.
  11. Actual survey and certification activities are consistent with the annual activity plan and workload estimate approved by HCFA.
  12. The performance of agencies utilized to perform specific functions under this Agreement are monitored.
  13. Ongoing surveyor training programs develop and maintain surveyor proficiency.
  14. Results of complaint investigations against providers and suppliers are considered in making certification decisions.
- D. If a formal evaluative report is prepared that reflects deficiencies in the State's performance under this Agreement or proposes corrective action to be taken by the State, the Secretary shall:
1. furnish a copy to the State; and
  2. discuss any corrective actions proposed in the report with the State in order to establish reasonable and practicable time frames for implementation.
- E. When the Secretary determines that the State is not able or is not willing to perform part or all of the functions and responsibilities prescribed in this Agreement, the Secretary may terminate the Agreement in whole or in part, in accordance with Article VIII.

Article VI  
TERM OF AGREEMENT

- A. This Agreement shall begin on October 1, 1985, and end on September 30, 1986. The Agreement is automatically renewed for periods of one (1) year unless the Secretary or the State gives written notice of its intention not to renew the Agreement at least 90 days before the end of the current term.
- B. Any notice under Paragraph A of this Article shall be deemed to have been given upon the date such notice was mailed, as established by the postmark or other appropriate evidence of the date of transmittal. Whenever the State gives notice of its intention not to renew this Agreement it shall, prior to mailing such notice, notify the appropriate HCFA Regional Administrator, by telephone or other oral communication, of its intention not to renew the Agreement.

Article VII  
MODIFICATION OF AGREEMENT

- A. This Agreement may be modified at any time by mutual written consent of the Secretary and the State.
- B. The Secretary may modify this Agreement to incorporate changes in the State's functions and responsibilities as a result of changes to the Act or regulations.
- C. Prior to any modification under Paragraph B of this Article, the Secretary shall consult with the State and participate in planning for adjustments which might be necessary. Thereafter, the Secretary shall provide the State written notice that the modification is to be made not more than 90 days after the date specified in the notice (or such other date as may be required by statute). If the State notifies the Secretary within 10 days of receipt of the Secretary's notification, the State may terminate this Agreement not less than 90 days after the date specified in the notice and shall not be required to implement any modification of this Agreement provided for in such notification during such 90 day period.

Article VIII  
TERMINATION OF AGREEMENT

- A. This Agreement may be terminated at any time by mutual written consent of the parties to the Agreement.
- B. The State may terminate this Agreement at any time upon 180 days written notice to the Secretary.

- C. If the Secretary determines that the State is not able or willing to carry out part or all of the functions under this Agreement (including a determination that the State has failed to meet a performance standard(s) as described in Article V and detailed in the State Operations Manual), the Secretary may terminate the Agreement in whole or in part to exclude specific classes of providers and/or suppliers identified in Article I from the State's survey and certification functions under this Agreement, or otherwise to limit or decrease its scope.
- D. If this Agreement is terminated pursuant to the terms of this Article, the State shall be paid the allowable costs incurred in terminating this Agreement in accordance with Article IX, Paragraph F.
- E. If this Agreement is terminated or nonrenewed by either the Secretary or the State, the State shall use its best efforts to accomplish an orderly transition of its functions under this Agreement to the successor survey entity.

Article IX  
COST OF ADMINISTRATION

- A. The Secretary's fiscal obligation under this Agreement is contingent upon the apportionment to the Secretary of appropriated funds for the applicable fiscal year from which payment for the cost of performing the functions of this Agreement can be made. No legal liability on the part of the Secretary for any payment, nor any legal obligation of the State to perform, may arise until the State receives notice from the Secretary that funds have been made available for this Agreement. Moreover, in no event shall the Secretary's obligation under this Agreement exceed the amount of funds which have been obligated to this Agreement.
- B. The State will be given sufficient opportunity prior to the beginning of every Federal fiscal year to prepare a State survey agency activity plan and budget estimate based on HCFA's activity plan and budget estimate for that forthcoming Federal fiscal year. On this basis, the State will submit to the Secretary, at such time and in such form as the Secretary may prescribe, a budget request that provides an estimate of costs to be incurred by the State (through the State survey agency and other State and local agencies) for performing the functions under this Agreement for the period corresponding to the Federal fiscal year that begins on October 1 and ends on September 30. The budget request will include cost estimates accompanied by such supporting documents as may be prescribed by the Secretary.

- C. The Secretary will not reimburse the State for any costs attributable to the general expenses of the State in carrying out functions of State government which are not related to this Agreement. The State budget request must equitably apportion the costs attributable to expenses incurred by the State for conducting activities related to, but distinguishable from, activities conducted under the Act and this Agreement. The Secretary will reimburse the State for HCFA's fair share of the costs attributable to such planning and other efforts as the State may perform directed towards the coordination of activities in carrying out this Agreement and other activities related to the provision of services similar to those for which payment may be made under of the Act, or related to the facilities and personnel required for the provision of services, or related to improving the quality of such services. The Secretary will determine the amount of such costs allocable to this Agreement on the basis of information submitted by the State, setting forth the plans proposed for coordinating its functions under this Agreement with such other activities.
- D. The Secretary and the State will negotiate the amount of the annual budget, and any revisions thereto, based on the budget request submitted by the State. After the negotiations between the Secretary and the State on the amount of the annual budget, or any revisions thereto, the Secretary will issue a notice specifying such budget in an amount calculated to pay the costs of administering this Agreement. Such budgeted amount for the purpose of obligation of funds by the Secretary shall be a ceiling which the State may not exceed without the prior written approval of the Secretary.

The State may, at any time during the fiscal year, submit appropriate revisions to the estimated amount of its budget as a result of any modification to this Agreement or functions thereunder. The Secretary will determine if a revision to the amount of the estimated budget is appropriate and on that basis will make any adjustments to the budgeted amount.

- E. If at any time it appears to the State that the budgeted amount is not sufficient to cover costs incurred and estimated to be incurred in the fiscal year, the State shall so notify the Secretary promptly. Such notification may be by telephone or telegraph with later confirmation by letter and will contain proposals as to how costs expected to be incurred may be reduced. The Secretary and the State will promptly negotiate ways and means of resolving the matter for the purpose of ensuring that the State will not incur costs in excess of the budgeted amount. Such resolution may include an increase in the budget, a reduction of functions to be performed by the State, a combination of both, or such other ways and means as may be agreeable to the parties. If, after negotiating in good faith, the parties are unable to find a satisfactory solution to the matter, the Secretary will give the State written notice as to what measures to take in order to avoid incurring costs in excess of the budgeted amount.

Notwithstanding any other provisions of this Agreement, if the Secretary notifies the State to abate the performance of a function, there shall be no obligation on the part of the Secretary for costs incurred by the State in the performance of such function beyond the effective date of the notice to abate or the date such notice is received, whichever is later.

However, the allowability of any costs incurred by the State in the implementation of any such abatement directed by the Secretary will be governed by the provisions of the Federal Acquisition Regulation applicable to termination costs.

- F. The Secretary is not obligated to reimburse the State for costs incurred in excess of the budgeted amount. The State is not obligated to incur costs in excess of the budgeted amount until the Secretary notifies the State, in writing, that the budgeted amount has been increased.
- G. Subject to the foregoing provisions of this Article, the Secretary shall pay to the State the total amount of allowable costs incurred by the State in the performance of this Agreement. The costs allowable under this Agreement will be determined in accordance with Subpart 31.6 of the Federal Acquisition Regulation. The FAR provides that the allowability of costs under the Agreement will be determined in accordance with Office of Management and Budget, Circular No. A-87, "Cost Principles for State and Local Governments."
- H. The State shall comply with applicable regulations and general instructions for property purchased with funds provided under this Agreement. Funds provided by the Secretary under this Agreement will be used solely for the reasonable and necessary costs of the State in performing the functions authorized by this Agreement.
- I. If the State utilizes any service or material purchased or contracted for pursuant to this Agreement for purposes other than those authorized by the Agreement, the cost of such service or material will be pro-rated, pursuant to State Operations Manual procedures issued by the Secretary and applicable cost principles. Only that part that is attributable to the performance of functions authorized by this Agreement may be considered a reasonable and necessary cost for the performance of this Agreement.
- J. The State shall submit to the Secretary a report, including supporting data, of the allowable costs incurred by it during each quarter of the Federal fiscal year. This report is due to the Secretary no later than 30 days after the close of the quarter in which such costs were incurred.

Negotiations on the amount of administrative costs of the State to be allowed by the Secretary shall be undertaken by the Secretary and the State, based upon the State's quarterly statements.

Such items of costs on which the Secretary and the State are unable to agree will continue to be negotiated and, if not resolved, are subject to a subsequent determination by the Secretary in accordance with Paragraph K of this Article. To the extent unpaid, such amounts which are agreed upon shall be paid promptly by the Secretary.

- K. If the Secretary and the State are unable to agree upon a final amount of the administrative costs of the State for a particular quarter or other period, the Secretary shall issue a final determination of the amount of such administrative costs for such period and inform the State of such costs, with a full explanation of the exceptions taken to the State's report of its allowable costs.

The State may appeal the final determination in accordance with the provisions of Article XIV of this Agreement, entitled "Disputes." Where a particular cost or type of cost is disallowed by final determination of the Secretary and the State is not in agreement with the Secretary's disallowance, the State shall, for any subsequent claims, abide by the decision of the Secretary and agrees not to be reimbursed pending resolution of any amounts of such costs. Until the issue is resolved, the State shall segregate such costs from all others, and specify the amounts of such costs on all subsequent claims. Any funds withdrawn through the letter of credit in excess of the amount finally determined to be allowable must be returned promptly to the Secretary.

- L. The State shall furnish or make available such supplemental accounts, records, or other information as may be requested by the Secretary to substantiate any estimates, expenditures, or reports as may be necessary for auditing purposes, or to verify the allowability of the State's expenditures under this Agreement.

#### Article X SUBCONTRACTING

- A. The State shall not enter into any subcontract to perform any of the functions set forth in Article II of this Agreement unless such subcontract received the prior written approval of the Secretary.
- B. The State shall not enter into any subcontract under this Agreement not controlled by Paragraph A of this Article, if any part the cost of the subcontract is allocable to this Agreement and if the subcontract provides for payment on a cost-plus-fixed-fee-basis, regardless of amount, or where the estimated cost of such subcontract exceeds, or is expected to exceed \$25,000, without the prior written approval of the Secretary.



- C. Any modification to a subcontract which required the prior written approval of the Secretary must be submitted to the Secretary for prior written approval.
- D. If the State enters into a subcontract, or modifies an existing subcontract without the prior written approval of the Secretary, where required, the Secretary is not obligated to reimburse the State for costs incurred with respect to such subcontract or modification.
- E. The requirement for prior written approval may be waived by the Secretary in writing, where requiring such approval is administratively impracticable and the State secures the waiver in advance of entering into or modifying a subcontract. In addition, the Secretary may ratify any subcontract in writing. Such ratification shall constitute the approval of the Secretary.
- F. Prior written approval given by the Secretary with respect to a subcontract or modification hereto does not constitute a determination of the allowability of costs, unless so stipulated.
- G. The State shall select subcontractors on a competitive basis to the maximum practicable extent consistent with the objectives and requirements of this Agreement.
- H. For any subcontract or modification of a subcontract entered into or renewed under this Agreement, where the estimated cost to this Agreement under the subcontract exceeds \$500,000 and is not based on adequate price competition, established catalog or market prices of commercial items sold in substantial quantities to the general public, or prices set by law or regulation, the State shall, in accordance with Subpart 15.8 of the Federal Acquisition Regulation, require the subcontractor to submit written cost or pricing data and certify that the cost or pricing data submitted were accurate, complete, and current prior to the entry into the subcontract or modification of a subcontract. The State shall, through inclusion in all such subcontracts, require subcontractors to maintain full and complete accounting records, support costs or pricing data submitted as aforesaid, to require subcontractors to provide for full access by the State, the Secretary, and the Comptroller General of the United States for the purpose of examining the accuracy of cost or pricing data submitted as aforesaid, and in accordance with Subpart 15.8 of the Federal Acquisition Regulation, to agree to a reduction in price if the cost or pricing data submitted are found to be defective.
- I. No subcontract under this Agreement may provide for payment on a cost-plus-percentage-of-cost basis, and any fee payable under cost-reimbursement type subcontracts may not exceed the fee limitations in subsection 16.301-3 of the Federal Acquisition Regulation.

Article XI  
TRANSFER OF FUNDS THROUGH LETTER OF CREDIT

- A. The Secretary will provide for an advance of funds by a letter of credit to the State's designated commercial bank to authorize the withdrawal of funds from the United States Treasury in accordance with the governing Treasury instruction 31 CFR Part 205 (Circular No. 1075). Each letter of credit will authorize the State's commercial bank to process payment vouchers drawing on funds made available through the Federal Reserve Bank or branch. More specific Letter of Credit procedures are provided to each State via the Departmental Federal Assistance Financing System Users Guide.
- B. The letter of credit will specify a maximum monthly amount that may be withdrawn during each month by the State. Such amounts will normally be 1/12 of the approved annual budget unless the Secretary and the State have agreed to other allotments of payment. Amounts available for withdrawal but not withdrawn in any month may be carried over to the following months within the fiscal year. The authorized official of the State may make withdrawals only to the extent that funds are currently needed to meet estimated expenditures. Withdrawals may not be made to the extent that cash on hand or in banks renders further withdrawals unnecessary or premature. If the amount specified in the letter of credit is not sufficient to meet estimated expenditures, the letter of credit may be modified by the Secretary.

Article XII  
EXAMINATION OF RECORDS

- A. The Secretary and the Comptroller General of the United States or a duly authorized representative, until three (3) years after final payment under this Agreement or for any other period specified in Federal Acquisition Regulation (FAR) Subpart 4.7, "Contractor Records Retention," has access to and the right to examine any of the State's directly pertinent books, documents, papers, or other records involving transactions related to this Agreement.
- B. The State agrees to include in first-tier subcontracts under this Agreement a clause to the effect that the Secretary and the Comptroller General or a duly authorized representative, until three (3) years after final payment under the subcontract or for any other period specified in FAR Subpart 4.7, has access to and the right to examine any of the subcontractor's directly pertinent books, documents, papers, or other records involving transactions related to the subcontract. "Subcontract," as used in this Article, excludes (1) purchase orders not exceeding \$10,000; and (2) subcontracts or

purchase orders for public utility services at rates established to apply uniformly to the public, plus any applicable reasonable connection charge.

- C. The periods of access and examination in Paragraphs A and B above for records relating to (1) appeals under Article XIV; (2) litigation or settlement of claims arising from the performance of this Agreement or; (3) costs and expenses of this Agreement to which the Secretary or the Comptroller General or a duly authorized representative has taken exception, shall continue until such appeals, litigation, claims, or exceptions are finally disposed of.

#### Article XIII

##### CONFIDENTIAL NATURE AND LIMITATIONS ON USE OF INFORMATION AND RECORDS

- A. The State shall adopt policies and procedures to ensure that information contained in its records and obtained from the Secretary or from any provider or supplier of services will be disclosed only as provided in the Act or regulations.
- B. The Privacy Act of 1974, 5 U.S.C. 552a, is applicable to this Agreement in accordance with Paragraph A(11) of Article XV.

#### Article XIV

##### DISPUTES

- A. This Agreement is subject to the Contract Disputes Act of 1978 (41 U.S.C. 601-613), referred to in this Article as the "CDA".
- B. Except as provided in the CDA, all disputes arising under or relating to this Agreement shall be resolved under this Article.
- C. "Claim," as used in this Article, means a written demand or written assertion by one of the parties to this Agreement seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of contract terms, or other relief arising under or relating to this Agreement. A claim arising under an Agreement, unlike a claim relating to that Agreement, is a claim that can be resolved under an Article of the Agreement that provides for the relief sought by the claimant. However, a written demand or written assertion by the State seeking the payment of money exceeding \$50,000 is not a claim under the CDA until certified as required by Paragraph D, section 2 of this Article. A voucher, invoice, or other routine request for payment that is not in dispute when submitted is not a claim under the CDA. The submission may be converted to a claim under the CDA, by complying with the submission and certification requirements of this Article, if it is disputed either as to liability or amount or is not acted upon in a reasonable time.

- D. 1. A claim by the State shall be made in writing and submitted to the Secretary for a written decision. A claim by the Government against the State shall be subject to a written decision by the Secretary.
2. For State claims exceeding \$50,000, the State shall submit with the claim a certification that:
- (a) the claim is made in good faith;
  - (b) supporting data are accurate and complete to the best of the State's knowledge and belief; and
  - (c) the amount requested accurately reflects the contract adjustment for which the State believes the Government is liable.
3. The certification shall be executed by:
- (a) the State official in charge of the State survey agency or the agency of which the State survey agency is a component; or
  - (b) as appropriate, an official of the State having overall responsibility for the conduct of the State's affairs.
- E. For State claims of \$50,000 or less the Secretary must, if requested in writing by the State, render a decision within 60 days of the request. For State certified claims over \$50,000, the Secretary must, within 60 days, decide the claim or notify the State of the date by which the decision will be made.
- F. The Secretary's decision shall be final unless the State appeals or files a suit as provided in the CDA.
- G. The Government shall pay interest on the amount found due and unpaid from (1) the date the Secretary receives the claim (properly certified if required), or (2) the date payment otherwise would be due, if that day is later, until the date of payment. Simple interest on claims shall be paid at the rate, fixed by the Secretary of the Treasury as provided in the CDA, which is applicable to the period during which the Secretary receives the claim and then at the rate applicable for each 6-month period as fixed by the Treasury Secretary during the pendency of the claim.
- H. The State shall proceed diligently with performance of this Agreement, pending final resolution of any request for relief, claim, appeal, or action arising under the Agreement, and comply with any decision of the Secretary.

AGREEMENT Identifier Code: HCFA-85-CT

IN WITNESS WHEREOF, the parties hereby execute this Agreement this

30th day of September, 1985.

State of Connecticut

By: Douglas S. Lloyd M.D.

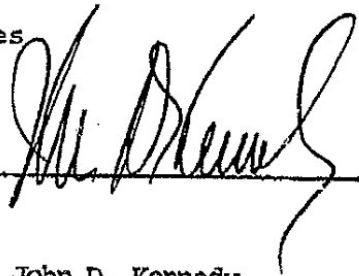
Douglas S. Lloyd, M.D.

(Name)

Commissioner of Health Services

(Title)

Secretary of Health and Human  
Services

By: 

John D. Kennedy

(Name)

Regional Administrator

(Title)