

**RULES
OF
THE TENNESSEE DEPARTMENT OF MENTAL HEALTH
AND SUBSTANCE ABUSE SERVICES
ADMINISTRATIVE SERVICES DIVISION**

**CHAPTER 0940-02-01
DETERMINATION OF AVERAGE DAILY COST**

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0940-02-01-.01 DEFINITIONS. As used in this Chapter, unless the context requires otherwise:

- (1) "Commissioner" means the Commissioner of the Tennessee Department of Mental Health and Substance Abuse Services.
- (2) "Department" means the Tennessee Department of Mental Health and Substance Abuse Services.
- (3) "Institution" means Lakeshore Mental Health Institute, Memphis Mental Health Institute, Middle Tennessee Mental Health Institute, Moccasin Bend Mental Health Institute, or Western Mental Health Institute, regardless of name known as and any combination of mental health institutes providing the same type of service.

Authority: T.C.A. §§ 4-4-103, 33-1-305, and 33-2-1101. **Administrative History:** Original rule filed May 31, 1978; effective July 1, 1978. Amendment by Public Chapter 969; effective July 1, 1984. Amendment filed July 11, 1984; effective August 10, 1984. Amendments filed February 26, 2009, effective June 26, 2009. Administrative corrections made to agency names in December 2022 pursuant to Public Chapter 575 of 2012.

0940-02-01-.02 COMPUTATION OF AVERAGE DAILY COST. The department, using cost report forms prescribed by the department, shall calculate the average daily cost. The cost report shall include the costs of operations of the institutions, statistical and other data, adjustments and reclassifications to trial balance expenditures, allocation of costs, statistical basis of allocation of costs, calculation of average daily cost for each type of service, and certification by a responsible institution official. The department shall complete the cost report in accordance with the Medicare and Medicaid principles of reimbursement as found in the current edition of the Medicare Principles of Reimbursement Manual, except as otherwise provided for in the instructions for the preparation of the cost report.

Authority: T.C.A. §§ 4-4-103, 33-1-305, and 33-2-1101. **Administrative History:** Original rule filed May 31, 1978; effective July 1, 1978. Amendments filed February 26, 2009; effective June 26, 2009.

0940-02-01-.03 COMPUTATION OF COST INCREASE FACTOR. The department shall compute a cost increase factor in the following manner. For an institution that has completed three (3) full years of rendering a certain type of service, this factor shall be the average of the institution's increase or decrease in average daily cost for that type of service over the prior two (2) years. Negative averages shall be considered as zero. For an institution that has not completed three (3) full years of rendering a certain type of service, the factor shall not exceed the 100th percentile value for the factor for mental health institutes. The cost-increase amounts used in determining the 100th percentile shall be the latest values calculated for at least 50 percent of the mental health institutes that have rendered like type services three (3) full years.

(Rule 0940-02-01-.03, continued)

Authority: T.C.A. §§ 4-4-103, 33-1-305, and 33-2-1101. **Administrative History:** Original rule filed May 31, 1978; effective July 1, 1978. Amended and New rule filed October 14, 1980; effective December 1, 1980. Amendments filed February 26, 2009; effective June 26, 2009.

0940-02-01-.04 REPEALED.

Authority: T.C.A. §§ 4-4-103, 33-1-305, and 33-2-1101. **Administrative History:** Original rule filed May 31, 1978; effective July 1, 1978. Repeal filed February 26, 2009; effective June 26, 2009.

0940-02-01-.05 REPEALED.

Authority: T.C.A. §§ 4-4-103, 33-1-305, and 33-2-1101. **Administrative History:** Original rule filed May 31, 1978; effective July 1, 1978. Repeal filed February 26, 2009; effective June 26, 2009.

0940-02-01-.06 REPEALED.

Authority: T.C.A. §§ 4-4-103, 33-1-305, and 33-2-1101. **Administrative History:** Original rule filed May 31, 1978; effective July 1, 1978. Repeal filed February 26, 2009; effective June 26, 2009.

0940-02-01-.07 DETERMINATION OF TENTATIVE AVERAGE DAILY COST. The commissioner shall determine a tentative average daily cost using a cost analysis procedure by:

- (1) Computing the average daily cost under Rule 0940-02-01-.02 Computation of Average Daily Cost and
- (2) Adding to the computed average daily cost an amount utilizing the cost increase factor prescribed in Rule 0940-02-01-.03 Computation of Cost Increase Factor.

Authority: T.C.A. §§ 4-4-103, 33-1-305, and 33-2-1101. **Administrative History:** Original rule filed May 31, 1978; effective July 1, 1978. Amendments filed February 26, 2009; effective June 26, 2009.

0940-02-01-.08 NOTICE AND COMMENT. After the commissioner has determined the tentative average daily cost for each type of service, he shall give notice that the tentative average daily cost is effective on a specific date, not less than fifteen (15) days after giving notice. The commissioner will receive comments on the tentative rates during the fifteen (15) day notice period.

Authority: T.C.A. §§ 4-4-103, 33-1-305, and 33-2-1101. **Administrative History:** Original rule filed May 31, 1978; effective July 1, 1978. Amendment filed February 26, 2009; effective June 26, 2009.

0940-02-01-.09 AVERAGE DAILY COST EFFECTIVE DATE, FILING. Unless the commissioner withdraws or modifies a tentative average daily cost, it becomes effective as the average daily cost on the date specified in the notice. If the commissioner withdraws or modifies a tentative average daily cost within the 15 day notice period, he shall give notice in writing of such withdrawal or modification and the modification or withdrawal will be effective on the effective date of the original tentative filing. The department shall maintain in its central office all computations, notices, tentative average daily cost schedules, notices of withdrawal or modification and average daily cost. These documents are available for public inspection and copying during normal business hours.

Authority: T.C.A. §§ 4-4-103, 33-1-305, and 33-2-1101. **Administrative History:** Original rule filed May 31, 1978; effective July 1, 1978. Amendment filed February 26, 2009; effective June 26, 2009.