

5123:2-7-18

**Intermediate care facilities - capital asset and depreciation guidelines.**

- (A) A per diem for depreciation on buildings, components, and equipment used in the provision of patient care that are not reimbursable by medicaid directly to the medical equipment supplier in accordance with rule 5101:3-3-19 of the Administrative Code is an allowable cost.
- (B) For purposes of determining if an expenditure should be capitalized, the following guidelines are utilized:
- (1) Any expenditure for an item that costs five hundred dollars or more and has a useful life of two or more years per item must be capitalized and depreciated over the asset's useful life.
  - (2) A provider may use a capitalization policy less than five hundred dollars per item, but is required to obtain prior approval from the department if the provider wishes to change its capitalization policy from its initial capitalization policy.
- (C) All capital assets shall be depreciated using the straight-line method of depreciation.
- (D) For purposes of determining the useful life of a capital asset, intermediate care facilities shall use the table as set forth in the appendix to this rule or a different useful life if approved by the department. If a capital asset is not reflected on the table as set forth in the appendix to this rule, the internal revenue service publication 946, "How to Depreciate Property" (revised 2011), available at <http://www.irs.gov/publications/p946/index.html>, shall be used for purposes of determining the useful life of that capital asset.
- (E) The following depreciation conventions shall be used to calculate depreciation expense:
- (1) In the month that a capital asset is placed into service, no depreciation expense is recognized as an allowable expense. A full month's depreciation expense is recognized in the month following the month the asset is placed into service.
  - (2) In the month that the capital asset is disposed, if the capital asset is not fully depreciated, the allowable depreciation expense is recognized as it is defined in section 132 of the centers for medicare and medicaid services publication 15-1, "Provider Reimbursement Manual" (revised January 2005), available at <http://www.cms.hhs.gov/manuals>. At no time shall an asset be depreciated more than its adjusted basis.
- (F) Providers shall maintain detailed depreciation schedules to verify each individual capital asset placed in service.

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Certification

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Date

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