

5123:2-7-25

Intermediate care facilities - nonextensive renovation.

(A) For the purposes of this rule, "nonextensive renovation" means the betterment, improvement, or restoration of an intermediate care facility beyond its current functional capacity through a structural change that costs at least five hundred dollars per bed. To calculate the per-bed cost of a renovation project for purposes of determining whether it is a nonextensive renovation, the allowable cost of the project shall be divided by the number of beds in the facility certified for participation in the medical assistance program, even if the project does not affect all medicaid-certified beds. A nonextensive renovation may include betterment, improvement, restoration, or replacement of assets that are affixed to the building and have a useful life of at least five years. A nonextensive renovation may include costs that otherwise would be considered maintenance and repair expenses if they are included as part of the nonextensive renovation project and are an integral part of the structural change that makes up the nonextensive renovation project. Nonextensive renovation does not mean construction of additional space for beds that will be added to a facility's licensed or certified capacity. Allowable nonextensive renovations are not considered cost of ownership.

(B) Intermediate care facilities which complete nonextensive renovation shall receive the lesser of the ceiling determined under section 5111.251 of the Revised Code or an aggregate per diem based upon the costs as specified in this rule. The cost of nonextensive renovation directly attributable to the purchase of property and equipment costs from one related party to another through common ownership or control as defined in rule 5123:2-7-01 of the Administrative Code shall be based upon the lesser of the actual purchase of property and equipment costs or the actual costs of the related party. In order for costs to qualify for cost of nonextensive renovation, the following circumstances must be met.

(1) The desk-reviewed actual, allowable, per diem cost of nonextensive renovation is based upon certified beds for property costs and assets affixed to the building for the calendar year preceding the fiscal year in which the rate will be paid. The desk-reviewed actual, allowable, per diem cost of nonextensive renovation includes:

(a) The cost of purchasing or acquiring capital assets that meet the requirements of nonextensive renovation set forth under this rule which includes:

(i) Depreciation expense for the cost of buildings equal to the actual cost depreciated under rule 5123:2-7-18 of the Administrative Code for nonextensive renovations. The provider is not to change the accumulated depreciation that has been previously reported. This accumulated depreciation will be carried forward as previously reported and audited. The current depreciation will then be added to accumulated depreciation as recognized.

medicaid-certified beds in the facility will be considered when applying the minimum cost criteria; or

(ii) If the project affects the entire facility, all licensed beds will be considered when applying the minimum cost criteria; and

(c) The project does not increase the number of licensed beds; and

(d) If the facility relocates beds within the current structure of the building, the construction for the relocated beds shall be considered a nonextensive renovation if it meets the other criteria specified in paragraph (B)(2) of this rule unless the project meets the requirements of extensive renovation as defined in rule 5123:2-7-24 of the Administrative Code; and

(e) The intermediate care facility has obtained prior approval under paragraph (B)(4) of this rule; and

(f) The intermediate care facility has satisfied all requirements for notice to the department upon completion of the project as set forth under paragraph (B)(6)(a) of this rule; and

(g) Unless the project is necessary to meet the requirements of federal, state, or local statutes, ordinances, rules, or polices, the department will not approve a project as a nonextensive renovation if fewer than five years have elapsed since the date of licensure of the portion of the intermediate care facility that is proposed to be renovated.

(3) To obtain prior approval from the department to report a project as a nonextensive renovation on the medicaid cost report, the following information must be submitted by the intermediate care facility prior to beginning construction of the proposed nonextensive renovation.

(a) A brief description of the project including the need for the project; and

(b) An estimate of the cost of the project, a list of work items summarizing the scope of the project, a copy of the estimate from the contractor that will undertake the project, and estimated total annual depreciation and interest expense for the project; and

(c) A sketch, diagram, or illustration of the facility prior to the project; and

(d) A sketch, diagram, or illustration of the facility showing the layout after completion of the project; and

(e) The estimated start and completion date of the project; and

- (5) Additional notice to the department is required during the course of the construction of the approved nonextensive renovation if any of the following circumstances occur:
- (a) The completion of the nonextensive renovation project is delayed or accelerated by more than four months from the estimated date of completion.
 - (b) The actual cost of construction exceeds the approved cost by the greater of ten per cent or two thousand dollars.
 - (i) Upon receiving notice of the cost increase, the department may approve the additional project costs for inclusion as a nonextensive renovation. In reviewing a project for approval under this paragraph, the department shall apply the criteria specified in paragraph (B)(4) of this rule; or
 - (ii) If the department does not approve the additional costs, expenses related to all costs in excess of the approved amount will be reported as cost of ownership; or
 - (iii) If the provider fails to provide notice to the department of the increased costs, expenses related to all costs in excess of the approved amount will be reported as cost of ownership.
 - (c) The actual amount financed exceeds the approved amount financed by the greater of ten per cent or two thousand dollars.
 - (i) Upon receiving notice of the increase in the amount financed, the department may approve the increase in the amount financed for inclusion as a nonextensive renovation. In reviewing a project for approval under this paragraph, the department shall apply the criteria specified in paragraph (B)(4) of this rule; or
 - (ii) If the department does not approve the additional amount financed, interest expense related to all amounts financed in excess of the approved amount will be reported as cost of ownership; or
 - (iii) If the provider fails to provide notice to the department of the increased amount financed, interest expense related to all amounts financed in excess of the approved amount will be reported as cost of ownership.
 - (d) The actual interest rate exceeds the projected interest rate by two percentage points or more.

(i) Upon receiving notice of the increased interest rate, the department may approve the interest expense associated with the increased interest rate for inclusion as nonextensive renovations. In reviewing a project for approval under this paragraph, the department shall apply the criteria specified in paragraph (B)(4) of this rule; or

(ii) If the department does not approve the increased interest rate, the interest expense associated with the incremental increase in the approved interest rate will be reported as cost of ownership; or

(iii) If the provider fails to provide notice to department of the increased interest rate, the interest expense associated with the incremental increase in the approved interest rate will be reported as cost of ownership.

(e) Any increase or decrease in the scope of the nonextensive renovation project.

(i) Upon receiving notice of the change in the scope of the nonextensive renovation project, the department may approve the project as revised if the change in scope bears a reasonable relationship to the approved nonextensive renovation project; or

(ii) If the department does not approve the project as revised, the additional costs associated with the increase in scope shall be reported as cost of ownership; or

(iii) If the provider fails to provide notice to the department of the change in the scope of the project, the additional costs associated with the increase in scope shall be reported as cost of ownership.

(f) Any change of cost that causes the project to exceed the threshold for being considered an extensive renovation or to fall below the threshold for being considered a nonextensive renovation.

(6) An approved nonextensive renovation project shall be reported as follows:

(a) Before a nonextensive renovation or portion thereof can be reported on a medicaid cost report, notice of completion must be submitted to the department. The notice of completion must include:

(i) The date the project or portion thereof was placed in service; and

(ii) Detailed depreciation and amortization schedules and a narrative explanation of any material differences between the expenses

stated on the schedules and the estimated costs submitted for the project under paragraph (B)(3)(b) of this rule; and

(iii) A detailed reconciliation of actual financing costs to the projected financing cost in the request for approval of a nonextensive renovation.

(b) A nonextensive renovation may be reported on the medicaid cost report as each portion of the project is placed into service as long as the anticipated completion of the portions of the project is still within the period set forth under paragraph (B)(4)(e) of this rule and in the aggregate satisfy the five hundred dollar bed requirement under paragraph (B)(2)(a) of this rule.

(c) If the total cost of all the portions of the entire project that have been placed into service within the period set forth under paragraph (B)(4)(e) of this rule do not satisfy the cost per bed requirement under paragraph (B)(2)(a) of this rule, the costs and related expenses for all the portions of the project that have been reported as a nonextensive renovation shall be reported in cost of ownership.

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Certification

12/31/2012

Date

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