Rule Summary and Fiscal Analysis (Part A)

Ohio Department of Medicaid
Agency Name

Division

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5160-3-42.3
Rule Number

AMENDMENT
TYPE of rule filing

Rule Title/Tag Line
Capital asset and depreciation guidelines- nursing facilities (NFs).

RULE SUMMARY

1. Is the rule being filed for five year review (FYR)? Yes

2. Are you proposing this rule as a result of recent legislation? No

3. Statute prescribing the procedure in accordance with the agency is required to adopt the rule: 119.03

4. Statute(s) authorizing agency to adopt the rule: 5165.02

5. Statute(s) the rule, as filed, amplifies or implements: 5165.17

6. State the reason(s) for proposing (i.e., why are you filing,) this rule:

   Five-year review.

7. If the rule is an AMENDMENT, then summarize the changes and the content of the proposed rule; If the rule type is RECONCLUSION, NEW or NO CHANGE, then summarize the content of the rule:
This rule sets forth the provisions for capital assets, including guidelines for the depreciation of capital assets, for nursing facilities.

The changes to the rule are:

1. The rule title is being modified in order to be consistent with the titles of other nursing facility rules in Chapter 5160-3 of the Administrative Code.

2. In paragraph (B), language is being added to require nursing facility providers to refer to CMS publication 15-1, Chapter 1 entitled "Depreciation" for purposes of determining if an expenditure should be capitalized.

3. In paragraph (B), the threshold amount over which an asset must be capitalized and depreciated is being changed from $500 or more to $5,000 or more in order to be consistent with federal regulations.

4. In paragraph (C), language is being added that requires all capital assets to be depreciated using the straight-line method of depreciation, and salvage value to be used to adjust capital asset values when calculating depreciation, in accordance with CMS publication 15-1 entitled "Depreciation."

5. Language in paragraph (D) is being changed to require use of the guidelines in the American Hospital Association publication "Estimated Useful Lives of Depreciable Hospital Assets" instead of the guidelines in Appendix A of this rule when determining the useful life of a capital asset because Appendix A of this rule is being rescinded.

6. Additional language in paragraph (D) is being changed to require the use of the Internal Revenue Service (IRS) publication "How to Depreciate Property" instead of Appendix A of this rule if a capital asset is not reflected in the American Hospital Association publication "Estimated Useful Lives of Depreciable Hospital Assets" because Appendix A of this rule is being rescinded.

7. An Ohio Administrative Code reference is being updated due to the creation of the Ohio Department of Medicaid by Am. Sub. HB 59 of the 130th General Assembly and the subsequent renumbering of rules by the Legislative Services Commission.

8. The Department's name is being updated from the Ohio Department of Job and Family Services (ODJFS) to the Ohio Department of Medicaid (ODM).

8. If the rule incorporates a text or other material by reference and the agency claims the incorporation by reference is exempt from compliance with sections 121.71 to 121.74 of the Revised Code because the text or other material is generally available to persons who reasonably can be expected to be affected by the rule, provide an explanation of how the text or other material is generally available.
available to those persons:

This rule incorporates one or more references to the Ohio Administrative Code. This question is not applicable to any incorporation by reference to another OAC rule because such reference is exempt from compliance with ORC 121.71 to 121.74 pursuant to ORC 121.76(A)(3).

This rule incorporates one or more references to federal Medicare publications. This question is not applicable to any incorporation by reference to the federal Medicare publications because such reference is exempt from compliance with ORC 121.71 to 121.74 pursuant to ORC 121.75(E).

This rule incorporates one or more dated references to the American Hospital Association (AHA) publication, "Estimated Useful Lives of Depreciable Hospital Assets," which is a generally accepted industry standard. This publication is generally available to persons affected by this rule via the AHA website at http://www.aha.org/, in accordance with RC 121.75(E).

This rule incorporates one or more dated references to the Internal Revenue Service (IRS) publication 946, "How to Depreciate Property," which is a generally accepted industry standard. This publication is generally available to persons affected by this rule via the IRS website at http://www.irs.gov/, in accordance with RC 121.75(E).

9. If the rule incorporates a text or other material by reference, and it was **infeasible** for the agency to file the text or other material electronically, provide an explanation of why filing the text or other material electronically was infeasible:

   Not Applicable.

10. If the rule is being **rescinded** and incorporates a text or other material by reference, and it was **infeasible** for the agency to file the text or other material, provide an explanation of why filing the text or other material was infeasible:

   Not Applicable.

11. If **revising** or **refiling** this rule, identify changes made from the previously filed version of this rule; if none, please state so. If applicable, indicate each specific paragraph of the rule that has been modified:

   Not Applicable.

12. Five Year Review (FYR) Date: **12/8/2014**

(If the rule is not exempt and you answered NO to question No. 1, provide the
scheduled review date. If you answered YES to No. 1, the review date for this rule is the filing date.

NOTE: If the rule is not exempt at the time of final filing, two dates are required: the current review date plus a date not to exceed 5 years from the effective date for Amended rules or a date not to exceed 5 years from the review date for No Change rules.

**FISCAL ANALYSIS**

13. Estimate the total amount by which this proposed rule would increase / decrease either revenues / expenditures for the agency during the current biennium (in dollars): Explain the net impact of the proposed changes to the budget of your agency/department.

   This will have no impact on revenues or expenditures.

   $0.00

   This proposed rule will not change the agency's projected budget during the current biennium.

14. Identify the appropriation (by line item etc.) that authorizes each expenditure necessitated by the proposed rule:

   Not Applicable.

15. Provide a summary of the estimated cost of compliance with the rule to all directly affected persons. When appropriate, please include the source for your information/estimated costs, e.g. industry, CFR, internal/agency:

   Capitalization and depreciation of assets are standard business practices, and the requirements in this rule impose no costs of compliance beyond those which are necessary for normal business operations. These are existing costs of compliance. There are no new costs of compliance.

   Increasing the threshold for which assets must be capitalized and depreciated from $500 or more to $5,000 or more should incur no cost of compliance because any assets between $500 and $4,999 then may be reported as medical minor equipment and claimed at the entire value of the item rather than at the depreciated value.

16. Does this rule have a fiscal effect on school districts, counties, townships, or municipal corporations? Yes
You must complete Part B of the Rule Summary and Fiscal Analysis in order to comply with Am. Sub. S.B. 33 of the 120th General Assembly.

17. Does this rule deal with environmental protection or contain a component dealing with environmental protection as defined in R. C. 121.39? **No**

**S.B. 2 (129th General Assembly) Questions**

18. Has this rule been filed with the Common Sense Initiative Office pursuant to R.C. 121.82? **No**

19. Specific to this rule, answer the following:

A.) Does this rule require a license, permit, or any other prior authorization to engage in or operate a line of business? **No**

B.) Does this rule impose a criminal penalty, a civil penalty, or another sanction, or create a cause of action, for failure to comply with its terms? **No**

C.) Does this rule require specific expenditures or the report of information as a condition of compliance? **No**
Rule Summary and Fiscal Analysis (Part B)

1. Does the Proposed rule have a fiscal effect on any of the following?

<table>
<thead>
<tr>
<th>(a) School Districts</th>
<th>(b) Counties</th>
<th>(c) Townships</th>
<th>(d) Municipal Corporations</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

2. Please provide an estimate in dollars of the cost of compliance with the proposed rule for school districts, counties, townships, or municipal corporations. If you are unable to provide an estimate in dollars, please provide a written explanation of why it is not possible to provide such an estimate.

This rule imposes no costs of compliance on counties or municipal corporations that operate nursing facilities beyond those costs which are necessary for normal business operations because capitalization and depreciation of assets are standard business practices. These are existing costs of compliance. There are no new costs of compliance.

Increasing the threshold for which assets must be capitalized and depreciated from $500 or more to $5,000 or more should incur no cost of compliance because any assets between $500 and $4,999 then may be reported as medical minor equipment and claimed at the entire value of the item rather than at the depreciated value.

3. If the proposed rule is the result of a federal requirement, does the proposed rule exceed the scope and intent of the federal requirement? No

4. If the proposed rule exceeds the minimum necessary federal requirement, please provide an estimate of, and justification for, the excess costs that exceed the cost of the federal requirement. In particular, please provide an estimate of the excess costs that exceed the cost of the federal requirement for (a) school districts, (b) counties, (c) townships, and (d) municipal corporations.

Not Applicable.

5. Please provide a comprehensive cost estimate for the proposed rule that includes the procedure and method used for calculating the cost of compliance. This comprehensive cost estimate should identify all of the major cost categories including, but not limited to, (a) personnel costs, (b) new equipment or other capital costs, (c) operating costs, and (d) any indirect central service costs.
Capitalization and depreciation of assets are standard business practices, and the requirements in this rule impose no costs of compliance beyond those which are necessary for normal business operations.

These are existing costs of compliance. There are no new costs of compliance.

(a) Personnel Costs

Capitalization and depreciation of assets are standard business practices, and the requirements in this rule impose no costs of compliance beyond those which are necessary for normal business operations.

These are existing costs of compliance. There are no new costs of compliance.

(b) New Equipment or Other Capital Costs

ODM does not expect that the proposed rule will result in any new equipment or other capital costs to Medicaid providers of nursing facility services.

(c) Operating Costs

ODM does not expect that the proposed rule will result in any operating costs to Medicaid providers of nursing facility services.

(d) Any Indirect Central Service Costs

ODM does not expect that the proposed rule will result in any indirect central service costs to Medicaid providers of nursing facility services.

(e) Other Costs

ODM does not expect that the proposed rule will result in any other costs to Medicaid providers of nursing facility services.

6. Please provide a written explanation of the agency's and the local government's ability to pay for the new requirements imposed by the proposed rule.

This rule will have no appreciable fiscal impact on a local government. Capitalization and depreciation of assets are standard business practices, and the requirements in this rule impose no costs of compliance beyond those which are
necessary for normal business operations. Since the threshold for which assets must be capitalized and depreciated is being increased from $500 or more to $5,000 or more, any assets between $500 and $4,999 may be reported as medical minor equipment and claimed at the entire value of the item rather than at the depreciated value.

7. Please provide a statement on the proposed rule's impact on economic development.

There is no impact on economic development as a result of this proposed rule.