

- (6) 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.
- (G) AN APPROVED NONEXTENSIVE RENOVATION PROJECT SHALL BE REPORTED AS FOLLOWS:
- (1) BEFORE A NONEXTENSIVE RENOVATION OR PORTION THEREOF CAN BE REPORTED ON A COST REPORT, NOTICE OF COMPLETION MUST BE SUBMITTED TO QDHS. THE NOTICE OF COMPLETION MUST INCLUDE:
- (a) THE DATE THE PROJECT OR PORTION THEREOF WAS PLACED IN SERVICE; AND
- (b) 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 (D)(2) OF THIS RULE; AND
- (c) A DETAILED RECONCILIATION OF ACTUAL FINANCING COSTS TO THE PROJECTED FINANCING COST IN THE REQUEST FOR APPROVAL OF A NONEXTENSIVE RENOVATION.
- (2) A NONEXTENSIVE RENOVATION MAY BE REPORTED ON THE 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 (E)(5) OF THIS RULE AND IN THE AGGREGATE SATISFY THE FIVE HUNDRED DOLLAR BED REQUIREMENT UNDER PARAGRAPH (C)(1) OF THIS RULE.
- (3) 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 (E)(5) OF THIS RULE DO NOT SATISFY THE COST PER BED REQUIREMENT UNDER PARAGRAPH (C)(1) 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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REPLACES RULE 5101:3-3-22

EFFECTIVE DATE: _____

CERTIFICATION: _____

DATE

PROMULGATED UNDER:	RC CHAPTER 119.
STATUTORY AUTHORITY:	RC SECTION 5111.02
RULE AMPLIFIES:	RC SECTIONS 5111.01, 5111.02, 5111.25
PRIOR EFFECTIVE DATES:	7/3/80, 9/1/82, 2/21/83, 8/15/83 (EMER.), 11/10/83 (EMER.), 12/25/83, 2/12/85 (EMER.), 6/1/85, 8/1/87, 9/30/87 (EMER.), 12/28/87, 10/1/91 (EMER.), 12/20/91, 9/30/93 (EMER.), 12/30/93 (EMER.)

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5101:3-3-514 NURSING FACILITIES (NFS): return on equity for nursing facilities (NFs).

The Ohio department of human services (ODHS) shall pay each eligible proprietary NF a return on the facility's net equity COMPUTED from the COST REPORT OF THE calendar year ~~preceding~~ THAT PRECEDES the fiscal year in which the rate is paid at the rate of one and one-half times the average of interest ~~rates~~ RATE of ON special issues of public debt obligations issued to the federal hospital insurance trust fund for the ~~current~~ cost reporting period, ~~except that, no~~ NO facility's return on net equity shall exceed one dollar per ~~patient~~ RESIDENT day. When calculating the rate for return on net equity, ODHS shall use the greater of the facility's inpatient days during the applicable cost reporting period or the number of inpatient days the facility would have had during that period if its occupancy rate had been ninety-five per cent.

Effective Date: _____

Review Date: _____

Certification: _____

Date

Promulgated Under: Chapter 119.
Statutory Authority: RC Section 5111.02
Rule Amplifies: RC Sections 5111.01, 5111.02, 5111.25
Prior Effective Date: 7/1/93 (Emer.), 9/30/93

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5101:3-3-515 REIMBURSEMENT FOR LEASED NURSING FACILITIES (NFS).

THE DESK-REVIEWED ACTUAL, ALLOWABLE, PER DIEM COST OF OWNERSHIP FOR RENT OR LEASE EXPENSE OF A NF INCLUDING ANY MAJOR COMPONENTS AND MAJOR MOVEABLE EQUIPMENT ESTABLISHED IN THIS RULE IS SUBJECT TO THE PROVISIONS SET FORTH UNDER RULE 5101:3-3-51 OF THE ADMINISTRATIVE CODE. A NF WHICH HAS LEASE EXPENSE AS DEFINED UNDER PARAGRAPH (A) OF THIS RULE, WILL RECEIVE A PER DIEM BASED UPON THE COST AS SPECIFIED IN THIS RULE. THE LEASE EXPENSE DIRECTLY ATTRIBUTABLE TO THE LEASE OF PROPERTY AND EQUIPMENT FROM ONE RELATED PARTY TO ANOTHER THROUGH COMMON OWNERSHIP OR CONTROL AS DEFINED UNDER RULE 5101:3-3-01 OF THE ADMINISTRATIVE CODE SHALL BE BASED UPON THE LESSER OF THE ACTUAL LEASE EXPENSE OF PROPERTY AND EQUIPMENT AS DEFINED IN THIS RULE OR THE ACTUAL COSTS OF THE RELATED PARTY.

- (A) FOR THE PURPOSES OF THIS RULE, THE FOLLOWING DEFINITIONS ARE APPLICABLE.
- (1) "LEASE EXPENSE" MEANS THE FOLLOWING:
 - (a) LEASE PAYMENTS IN THE CASE OF AN OPERATING LEASE; OR
 - (b) DEPRECIATION AND INTEREST EXPENSE (AMORTIZATION OF CAPITALIZED LEASE EXPENSE) IN THE CASE OF A CAPITAL LEASE.
 - (2) "NEW LEASE" MEANS ANY LEASE ENTERED INTO THAT INVOLVES A CHANGE IN LESSEE.
 - (3) "OLD LEASE" MEANS THE LEASE IMMEDIATELY PRECEDING THE NEW LEASE.
 - (4) "RENEWAL OF A LEASE" MEANS AN EXTENSION OF A LEASE AGREEMENT WITH NO CHANGE IN THE PARTIES TO THE LEASE.
 - (5) "INCEPTION OF THE LEASE" MEANS THE FIRST DAY THE LEASE IS EFFECTIVE.

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- (6) "LESSOR'S HISTORICAL CAPITAL ASSET COST BASIS" MEANS THE TOTAL COST THAT THE LESSOR REPORTED IN HIS FINANCIAL RECORDS AS THE COST BASIS OF THE ASSETS INCLUDED IN THE LEASE AT THE INCEPTION OF THE LEASE.
 - (7) "IMPUTED INTEREST RATE" MEANS THE PRIME RATE AS PUBLISHED BY THE "WALL STREET JOURNAL" ON THE FIRST BUSINESS DAY OF THE CALENDAR YEAR PLUS FOUR PER CENT, BUT NOT TO EXCEED FIFTEEN PER CENT.
 - (8) "SUBSTANTIAL COMMITMENT OF MONEY" MEANS A SIGNIFICANT AND IRREVOCABLE FINANCIAL OBLIGATION MUST BE INCURRED. THIS MAY BE EVIDENCED BY THE START OF CONSTRUCTION, ACTUAL CASH EXPENDITURES IN EXCESS OF TEN PER CENT OF THE TOTAL PROJECT COSTS, OR EVIDENCE THAT IRREVOCABLE CONTRACTUAL AGREEMENTS HAVE BEEN EXECUTED.
- (B) FOR A LEASE OF A NF THAT WAS EFFECTIVE ON MAY 27, 1992, THE ENTIRE LEASE EXPENSE IS AN ACTUAL, ALLOWABLE COST OF OWNERSHIP DURING THE TERM OF THE EXISTING LEASE. THE ENTIRE LEASE EXPENSE ALSO IS AN ACTUAL, ALLOWABLE COST OF OWNERSHIP IF A LEASE IN EXISTENCE ON MAY 27, 1992, IS RENEWED UNDER EITHER OF THE FOLLOWING CIRCUMSTANCES:
- (1) THE RENEWAL IS PURSUANT TO A RENEWAL OPTION THAT WAS IN EXISTENCE ON MAY 27, 1992; OR
 - (2) THE RENEWAL IS FOR THE SAME LEASE PAYMENT AMOUNT AND BETWEEN THE SAME PARTIES AS THE LEASE IN EXISTENCE ON MAY 27, 1992.
- (C) FOR AN INITIAL LEASE OF A NF THAT WAS IN EXISTENCE BUT NOT OPERATED UNDER A LEASE ON MAY 27, 1992, ACTUAL, ALLOWABLE COST OF OWNERSHIP INCLUDES THE LESSER OF THE FOLLOWING:
- (1) THE ANNUAL LEASE EXPENSE; OR

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- (2) THE PORTION OF THE ANNUAL LEASE EXPENSE THAT IS EQUAL TO AN IMPUTED EXPENSE FOR DEPRECIATION AND INTEREST CALCULATED AT THE INCEPTION OF THE LEASE USING THE LESSOR'S HISTORICAL CAPITAL ASSET COST BASIS. THE IMPUTED EXPENSE IS CALCULATED BELOW:
- (a) ADJUST THE LESSOR'S HISTORICAL CAPITAL ASSET COST BASIS BY THE LESSER OF:
- (i) ONE-HALF OF THE CHANGE IN CONSTRUCTION COSTS DURING THE TIME THE LESSOR HELD EACH ASSET UNTIL THE BEGINNING OF THE LEASE, AS CALCULATED BY OHIO DEPARTMENT OF HUMAN SERVICES (ODHS) USING THE "DODGE BUILDING COST INDEXES, NORTHEASTERN AND NORTH CENTRAL STATES," PUBLISHED BY MARSHALL AND SWIFT; OR
- (ii) ONE-HALF OF THE CHANGE IN THE "CONSUMER PRICE INDEX FOR ALL ITEMS FOR ALL URBAN CONSUMERS," AS PUBLISHED BY THE UNITED STATES BUREAU OF LABOR STATISTICS, DURING THE TIME THAT THE LESSOR HELD EACH ASSET UNTIL THE BEGINNING OF THE LEASE.
- (b) IMPUTED DEPRECIATION EXPENSE SHALL BE BASED ON THE ALLOWABLE COST BASIS AS DETERMINED UNDER PARAGRAPH (C)(2)(a) OF THIS RULE. FOR PURPOSES OF CALCULATING THE IMPUTED DEPRECIATION EXPENSE, THE LESSEE SHALL:
- (i) SEPARATE THE LEASED ASSETS INTO THREE ACCOUNTS AND DEPRECIATE THE SEPARATED LEASED ASSETS USING THE FOLLOWING USEFUL LIVES:
- (a) "LAND" IS NOT DEPRECIATED; AND
- (b) "BUILDINGS" INCLUDE BUILDINGS AND RENOVATIONS COMPLETED BY THE LESSOR AND SHALL BE DEPRECIATED OVER A THIRTY-THREE-YEAR USEFUL LIFE; AND

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- (c) "EQUIPMENT" IS ALL ASSETS NOT INCLUDED IN LAND OR BUILDINGS AND SHALL BE DEPRECIATED OVER A TEN-YEAR USEFUL LIFE.
- (ii) A DEPRECIATION SCHEDULE ESTABLISHED AT THE INCEPTION OF THE LEASE SHALL BE USED TO DETERMINE THE ANNUAL IMPUTED DEPRECIATION EXPENSE.
- (iii) IN THE CASE OF A CAPITAL LEASE, REPORT DOUBLE ACCUMULATED DEPRECIATION IN AN AMOUNT EQUAL TO TWICE THE DEPRECIATION EXPENSE INCURRED ON ITS COST REPORT FOR THE FIRST YEAR OF OPERATION UNDER THE LEASE IF THE PROVIDER REQUESTS A RATE ADJUSTMENT FOR THE CHANGE IN LEASE.
- (c) IMPUTED INTEREST EXPENSE SHALL BE BASED ON THE ALLOWABLE COST BASIS AS DETERMINED UNDER PARAGRAPH (C)(2)(a) OF THIS RULE. FOR PURPOSES OF CALCULATING THE IMPUTED INTEREST EXPENSE, THE LESSEE SHALL:
 - (i) ASSUME AN AMORTIZATION PERIOD OF THIRTY-THREE YEARS.
 - (ii) CALCULATE THE IMPUTED INTEREST RATE FOR THE FIRST YEAR OF OPERATION UNDER THE LEASE.
 - (iii) AN AMORTIZATION SCHEDULE ESTABLISHED AT THE INCEPTION OF THE LEASE SHALL BE USED TO CALCULATE THE ANNUAL IMPUTED INTEREST EXPENSE, EXCEPT AS PROVIDED UNDER PARAGRAPH (C)(2)(c)(v) OF THIS RULE.
 - (iv) THE IMPUTED INTEREST RATE SHALL BE RECALCULATED ON THE FIRST BUSINESS DAY OF JANUARY FOLLOWING FIVE CALENDAR YEARS OF OPERATION AND EVERY FIVE YEARS THEREAFTER.

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- (v) A REVISED AMORTIZATION SCHEDULE SHALL BE ESTABLISHED EACH TIME THE IMPUTED INTEREST RATE IS RECALCULATED UNDER PARAGRAPH (C)(2)(c)(iv) OF THIS RULE USING THE RECALCULATED IMPUTED INTEREST RATE, THE REMAINING AMORTIZATION PERIOD AND THE UNAMORTIZED BALANCE FROM THE PREVIOUS AMORTIZATION SCHEDULE.
- (D) FOR A LEASE OF A NE WITH A DATE OF LICENSURE ON OR AFTER MAY 27, 1992, THAT IS INITIALLY OPERATED UNDER A LEASE, ACTUAL, ALLOWABLE COST OF OWNERSHIP SHALL INCLUDE THE ANNUAL LEASE EXPENSE IF THERE WAS A SUBSTANTIAL COMMITMENT OF MONEY FOR CONSTRUCTION OF THE NE AFTER DECEMBER 22, 1992, AND BEFORE JULY 1, 1993.
- (E) FOR A LEASE OF A NE WITH A DATE OF LICENSURE ON OR AFTER MAY 27, 1992, THAT IS INITIALLY OPERATED UNDER A LEASE, AND THERE WAS NOT A SUBSTANTIAL COMMITMENT OF MONEY FOR CONSTRUCTION OF THE NE AFTER DECEMBER 22, 1992, AND BEFORE JULY 1, 1993, ACTUAL, ALLOWABLE COST OF OWNERSHIP SHALL INCLUDE THE LESSER OF THE FOLLOWING:
- (1) THE ANNUAL LEASE EXPENSE; OR
- (2) THE PORTION OF THE ANNUAL LEASE EXPENSE THAT IS EQUAL TO AN IMPUTED EXPENSE FOR DEPRECIATION AND INTEREST CALCULATED AT THE INCEPTION OF THE LEASE USING THE LESSOR'S HISTORICAL CAPITAL ASSET COST BASIS. THE IMPUTED EXPENSE IS CALCULATED BELOW:
- (a) IMPUTED DEPRECIATION EXPENSE SHALL BE BASED ON THE LESSOR'S HISTORICAL CAPITAL ASSET COST BASIS. FOR PURPOSES OF CALCULATING THE IMPUTED DEPRECIATION EXPENSE, THE LESSEE SHALL:
- (i) SEPARATE THE LEASED ASSETS INTO THREE ACCOUNTS AND DEPRECIATE THE SEPARATED LEASED ASSETS USING THE FOLLOWING USEFUL LIVES:
- (a) "LAND" IS NOT DEPRECIATED, AND

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- (b) "BUILDINGS" INCLUDE BUILDINGS AND RENOVATIONS COMPLETED BY THE LESSOR AND SHALL BE DEPRECIATED OVER A THIRTY-THREE-YEAR USEFUL LIFE; AND
- (c) "EQUIPMENT" IS ALL ASSETS NOT INCLUDED IN LAND OR BUILDINGS AND SHALL BE DEPRECIATED OVER A TEN-YEAR USEFUL LIFE.
- (ii) A DEPRECIATION SCHEDULE ESTABLISHED AT THE INCEPTION OF THE LEASE SHALL BE USED TO DETERMINE THE ANNUAL IMPUTED DEPRECIATION EXPENSE.
- (iii) IN THE CASE OF A CAPITAL LEASE, REPORT DOUBLE ACCUMULATED DEPRECIATION IN AN AMOUNT EQUAL TO TWICE THE DEPRECIATION EXPENSE INCURRED ON ITS COST REPORT FOR THE FIRST YEAR OF OPERATION UNDER THE LEASE IF THE PROVIDER REQUESTS A RATE ADJUSTMENT FOR THE CHANGE IN LEASE.
- (b) THE GREATER OF THE IMPUTED INTEREST EXPENSE CALCULATED BELOW:
 - (i) THE LESSOR'S ACTUAL ANNUAL AMORTIZATION OF FINANCING COSTS AND INTEREST EXPENSE; OR
 - (ii) IMPUTED INTEREST EXPENSE BASED ON SEVENTY PER CENT OF THE LESSOR'S HISTORICAL CAPITAL ASSET COST BASIS. FOR PURPOSES OF CALCULATING THE IMPUTED INTEREST EXPENSE, THE LESSEE SHALL:
 - (a) ASSUME AN AMORTIZATION PERIOD OF THIRTY-THREE YEARS.
 - (b) CALCULATE THE IMPUTED INTEREST RATE FOR THE FIRST YEAR OF OPERATION UNDER THE LEASE.

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- (c) AN AMORTIZATION SCHEDULE ESTABLISHED AT THE INCEPTION OF THE LEASE SHALL BE USED TO CALCULATE THE ANNUAL IMPUTED INTEREST EXPENSE, EXCEPT AS PROVIDED UNDER PARAGRAPH (E)(2)(b)(ii)(e) OF THIS RULE.
 - (d) THE IMPUTED INTEREST RATE SHALL BE RECALCULATED ON THE FIRST BUSINESS DAY OF JANUARY FOLLOWING FIVE CALENDAR YEARS OF OPERATION AND EVERY FIVE YEARS THEREAFTER.
 - (e) A REVISED AMORTIZATION SCHEDULE SHALL BE ESTABLISHED EACH TIME THE IMPUTED INTEREST RATE IS RECALCULATED UNDER PARAGRAPH (E)(2)(b)(ii)(d) OF THIS RULE USING THE RECALCULATED IMPUTED INTEREST RATE, THE REMAINING AMORTIZATION PERIOD AND THE UNAMORTIZED BALANCE FROM THE PREVIOUS AMORTIZATION SCHEDULE.
- (F) FOR A LEASE OF A NE WITH A DATE OF LICENSURE ON OR AFTER MAY 27, 1992, THAT WAS NOT INITIALLY OPERATED UNDER A LEASE AND HAS BEEN IN EXISTENCE AT LEAST TEN YEARS, ACTUAL, ALLOWABLE COST OF OWNERSHIP SHALL INCLUDE THE LESSER OF THE FOLLOWING:
- (1) THE ANNUAL LEASE EXPENSE; OR
 - (2) THE PORTION OF THE ANNUAL LEASE EXPENSE THAT IS EQUAL TO AN IMPUTED EXPENSE FOR DEPRECIATION AND INTEREST CALCULATED AT THE INCEPTION OF THE LEASE USING THE LESSOR'S HISTORICAL CAPITAL ASSET COST BASIS. THE IMPUTED EXPENSE IS CALCULATED BELOW:
 - (a) ADJUST THE LESSOR'S HISTORICAL CAPITAL ASSET COST BASIS BY THE LESSER OF:

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