

- (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 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 (F)(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
 - (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.

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- (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 (F)(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 (F)(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.
- (v) A REVISED AMORTIZATION SCHEDULE SHALL BE ESTABLISHED EACH TIME THE IMPUTED INTEREST RATE IS RECALCULATED UNDER PARAGRAPH (F)(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.

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- (G) FOR A LEASE OF A NF WITH A DATE OF LICENSURE ON OR AFTER MAY 27, 1992, THAT WAS NOT INITIALLY OPERATED UNDER A LEASE AND HAS NOT 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) 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
 - (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.

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- (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.
 - (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.

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- (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.
- (H) FOR A NEW LEASE OF A NF THAT WAS OPERATED UNDER A LEASE ON MAY 27, 1992, AND THE OLD LEASE WAS IN EFFECT FOR TEN YEARS, ACTUAL, ALLOWABLE COST OF OWNERSHIP SHALL INCLUDE THE LESSER OF THE FOLLOWING:
- (1) THE ANNUAL NEW LEASE EXPENSE; OR
 - (2) THE OLD LEASE PAYMENT AT THE INCEPTION OF THE LEASE ADJUSTED BY THE LESSER OF THE FOLLOWING:
 - (a) ONE-HALF OF THE CHANGE IN CONSTRUCTION COSTS FROM THE BEGINNING OF THE OLD LEASE TO THE BEGINNING OF THE NEW LEASE, AS CALCULATED BY ODHS USING THE "DODGE BUILDING COST INDEXES, NORTHEASTERN AND NORTH CENTRAL STATES," PUBLISHED BY MARSHALL AND SWIFT; OR
 - (b) 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, FROM THE BEGINNING OF THE OLD LEASE TO THE BEGINNING OF THE NEW LEASE.
- (I) FOR A NEW LEASE OF A NF THAT WAS OPERATED UNDER A LEASE ON MAY 27, 1992, AND THE OLD LEASE WAS NOT IN EFFECT FOR TEN YEARS, ACTUAL, ALLOWABLE COST OF OWNERSHIP SHALL INCLUDE THE LESSER OF THE FOLLOWING:
- (1) THE ANNUAL NEW LEASE EXPENSE; OR
 - (2) THE OLD LEASE PAYMENT.

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(J) EXCEPT AS PROVIDED UNDER PARAGRAPH (L) OF THIS RULE, FOR A NEW LEASE OF A NE THAT WAS NOT IN EXISTENCE OR THAT WAS IN EXISTENCE BUT NOT OPERATED UNDER A LEASE, ON MAY 27, 1992, AND THE OLD LEASE WAS IN EFFECT FOR TEN YEARS, ACTUAL, ALLOWABLE COST OF OWNERSHIP SHALL INCLUDE THE LESSER OF THE FOLLOWING:

- (1) THE ANNUAL NEW 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 NEW 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 NEW LEASE, AS CALCULATED BY 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 NEW LEASE.

(b) IMPUTED DEPRECIATION EXPENSE SHALL BE BASED ON THE ALLOWABLE COST BASIS AS DETERMINED UNDER PARAGRAPH (J)(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:

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- (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
 - (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 NEW 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 (J)(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 (J)(2)(c)(v) OF THIS RULE.

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- (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.
 - (v) A REVISED AMORTIZATION SCHEDULE SHALL BE ESTABLISHED EACH TIME THE IMPUTED INTEREST RATE IS RECALCULATED UNDER PARAGRAPH (J)(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.
- (K) EXCEPT AS PROVIDED UNDER PARAGRAPH (M) OF THIS RULE, FOR A NEW LEASE OF A NE THAT WAS NOT IN EXISTENCE OR THAT WAS IN EXISTENCE BUT NOT OPERATED UNDER A LEASE, ON MAY 27, 1992, AND THE OLD LEASE WAS NOT IN EFFECT FOR TEN YEARS, ACTUAL, ALLOWABLE COST OF OWNERSHIP SHALL INCLUDE THE LESSER OF THE FOLLOWING:
- (1) THE ANNUAL NEW LEASE EXPENSE; OR
 - (2) THE ANNUAL AMOUNT CALCULATED FOR THE OLD LEASE USING THE LESSOR'S HISTORICAL CAPITAL ASSET COST UNDER PARAGRAPHS (C)(2), (E)(2), (F)(2), (G)(2), AND (J)(2) OF THIS RULE OR FOR ANY PREVIOUS NEW LEASE UNDER THIS PARAGRAPH.
- (L) FOR A NEW LEASE OF A NE WITH A DATE OF LICENSURE ON OR AFTER MAY 27, 1992, THAT WAS INITIALLY OPERATED A LEASE, IF THERE WAS A SUBSTANTIAL COMMITMENT OF MONEY FOR CONSTRUCTION OF THE NE AFTER DECEMBER 22, 1992, AND BEFORE JULY 1, 1993, AND THE OLD LEASE WAS IN EFFECT FOR AT LEAST TEN YEARS, ACTUAL, ALLOWABLE COST OF OWNERSHIP SHALL INCLUDE THE LESSER OF THE FOLLOWING:
- (1) THE ANNUAL NEW LEASE EXPENSE; OR
 - (2) THE OLD LEASE PAYMENT AT THE INCEPTION OF THE LEASE ADJUSTED BY THE LESSER OF THE FOLLOWING:

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- (a) ONE-HALF OF THE CHANGE IN CONSTRUCTION COSTS FROM THE BEGINNING OF THE OLD LEASE TO THE BEGINNING OF THE NEW LEASE, AS CALCULATED BY ODHS USING THE "DODGE BUILDING COST INDEXES, NORTHEASTERN AND NORTH CENTRAL STATES," PUBLISHED BY MARSHALL AND SWIFT; OR
 - (b) 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, FROM THE BEGINNING OF THE OLD LEASE TO THE BEGINNING OF THE NEW LEASE.
- (M) FOR A NEW LEASE OF A NF WITH A DATE OF LICENSURE ON OR AFTER MAY 27, 1992, THAT WAS INITIALLY OPERATED A LEASE, IF THERE WAS A SUBSTANTIAL COMMITMENT OF MONEY FOR CONSTRUCTION OF THE NF AFTER DECEMBER 22, 1992, AND BEFORE JULY 1, 1993, AND THE OLD LEASE WAS NOT IN EFFECT FOR AT LEAST TEN YEARS, ACTUAL, ALLOWABLE COST OF OWNERSHIP SHALL INCLUDE THE LESSER OF THE FOLLOWING:
- (1) THE ANNUAL NEW LEASE EXPENSE; OR
 - (2) THE OLD LEASE PAYMENT.
- (N) FOR ANY REVISION OF A LEASE SPECIFIED UNDER PARAGRAPHS (B) TO (L) OF THIS RULE, OR ANY SUBSEQUENT LEASE OF A NF OPERATED UNDER SUCH A LEASE, OTHER THAN EXECUTION OF A NEW LEASE, THE PORTION OF ACTUAL, ALLOWABLE COST OF OWNERSHIP ATTRIBUTABLE TO THE LEASE SHALL BE THE SAME AS BEFORE THE REVISION OR SUBSEQUENT LEASE.
- (O) IF A LESSOR ADDS BEDS OR RENOVATES A NF AND THE PROJECT HAS BEEN PRIOR APPROVED BY ODHS, THE LESSEE MAY SEEK RATE RECONSIDERATION UNDER RULE 5101:3-3-24 OF THE ADMINISTRATIVE CODE TO INCREASE REIMBURSEMENT UNDER THE COST OF OWNERSHIP FOR THE INCREASED LEASE PAYMENTS WHICH RESULT FROM THE ADDED BEDS OR RENOVATIONS.

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- (P) THIS RULE DOES NOT APPLY TO SPECIFIC LEASES OF EQUIPMENT, BUT DOES APPLY IF THE NF AND EQUIPMENT ARE LEASED UNDER THE SAME LEASE AGREEMENT.
- (Q) A PROVIDER WHO ACQUIRES A FACILITY THROUGH A CAPITAL LEASE IS SUBJECT TO THE RECOVERY OF EXCESS DEPRECIATION PAID (WHETHER IT IS IMPUTED OR ACTUAL DEPRECIATION) IN ACCORDANCE WITH RULE 5101:3-3-516 OF THE ADMINISTRATIVE CODE. A LESSOR WHO HAS NEVER OPERATED A NF UNDER THE MEDICAL ASSISTANCE PROGRAM IS NOT SUBJECT TO THE PROVISIONS OF RULE 5101:3-3-516 OF THE ADMINISTRATIVE CODE.

REPLACES RULE 5101:3-3-22

EFFECTIVE 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 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.)

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