



Ohio Administrative Code

Rule 5123-7-25 Intermediate care facilities for individuals with intellectual disabilities - nonextensive renovation.

Effective: July 1, 2024

(A) Purpose

This rule defines nonextensive renovation and sets forth the process for calculating the per-bed cost of a nonextensive renovation project at an intermediate care facility for individuals with intellectual disabilities (ICFIID).

(B) Definitions

For the purposes of this rule, the following definitions apply:

- (1) "Extensive renovation" has the same meaning as in rule 5123-7-24 of the Administrative Code.
- (2) "Nonextensive renovation" means a project, approved by the department prior to July 8, 2018 in accordance with rule 5123:2-7-25 of the Administrative Code as it existed on July 7, 2018, for the betterment, improvement, or restoration of an ICFIID 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 will be divided by the number of beds in the ICFIID certified for participation in the medicaid program, even if the project does not affect all medicaid-certified beds. "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. "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 an ICFIID's licensed or certified capacity. Allowable nonextensive renovation projects are not considered costs of ownership.

(C) Determining the cost of nonextensive renovation



(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 in accordance with this rule which includes:

(i) Depreciation expense for the cost of buildings equal to the actual cost depreciated in accordance with rule 5123-7-18 of the Administrative Code for nonextensive renovation. 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.

(ii) Depreciation expense for major components of property and fixed equipment equal to the actual cost depreciated in accordance with rule 5123-7-18 of the Administrative Code for nonextensive renovation. 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.

(iii) Interest expense incurred on money borrowed for capital assets that qualify for nonextensive renovation.

(iv) Depreciation expense for costs paid or reimbursed by any government agency, if that part of the prospective per diem rate is used to reimburse the government agency and a loan provides for repayment over a time-limited period. These capital assets must qualify for nonextensive renovation.

(v) Amortization expense of financing costs.

(b) The cost of nonextensive renovation directly related to the amortization of leasehold improvements that meet the criteria for nonextensive renovation in accordance with this rule. These



costs will be expensed over the lesser of the remaining life of the lease, but not less than five years, or the useful life of the improvement as specified in rule 5123-7-18 of the Administrative Code. If the useful life of the improvement is less than five years, it may be amortized over its useful life. Options on leases will not be considered. Lessees who report leasehold improvements and who leave the program before the minimum amortization period is complete will not receive reimbursement for the balance of unamortized costs.

(2) 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 will be based upon the lesser of the actual purchase of property and equipment costs or the actual costs of the related party.

(D) Criteria for treatment as a nonextensive renovation

(1) The following will apply in order to determine if a project qualifies for treatment as a nonextensive renovation.

(a) The project meets the definition of nonextensive renovation set forth in paragraph (B)(2) of this rule.

(b) The project does not increase the number of licensed beds.

(c) If the ICFIID relocates beds within the current structure of the building, the construction for the relocated beds will be considered a nonextensive renovation if it meets the other criteria specified in this rule unless the project meets the requirements of extensive renovation.

(d) The ICFIID obtained approval of the project as a nonextensive renovation from the department prior to July 8, 2018.

(e) The ICFIID has satisfied all requirements for notice to the department upon completion of the project as set forth in paragraph (F) of this rule.

(2) A nonextensive renovation project will be started within six months after the date the department



grants approval. For the purposes of this rule, "started" means the physical work has begun on the project at the site of the ICFIID. Preliminary work such as planning, agency approval, feasibility surveys, and architectural drawings are not considered "started."

(3) A nonextensive renovation project will be completed within eighteen months after it is started. The total cost of all portions of the nonextensive renovation project completed within eighteen months after it is started must satisfy the per-bed cost requirement set forth in paragraph (B)(2) of this rule.

(4) Failure to satisfy the conditions set forth in paragraphs (D)(1) to (D)(3) of this rule will result in the costs of the project being reported as costs of ownership in lieu of nonextensive renovation.

(E) Additional notice requirements

Additional notice to the department is required during the course of the construction of the approved nonextensive renovation if:

(1) The completion of the nonextensive renovation project is delayed or accelerated by more than four months from the estimated date of completion.

(2) The actual cost of construction exceeds the approved cost by the greater of ten per cent or two thousand dollars.

(a) Upon receiving notice of the increase in the cost of construction, 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 will apply the criteria specified in paragraph (D) of this rule.

(b) If the department does not approve the additional cost of construction, expenses related to all costs of construction in excess of the approved amount will be reported as costs of ownership.

(c) If the provider fails to provide notice to the department of the increase in the cost of construction, expenses related to all costs of construction in excess of the approved amount will be reported as



costs of ownership.

(3) The actual amount financed exceeds the approved amount financed by the greater of ten per cent or two thousand dollars.

(a) 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 will apply the criteria specified in paragraph (D) of this rule.

(b) 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 costs of ownership.

(c) If the provider fails to provide notice to the department of the increase in the amount financed, interest expense related to all amounts financed in excess of the approved amount will be reported as costs of ownership.

(4) The actual interest rate exceeds the projected interest rate by two or more percentage points.

(a) Upon receiving notice of the increase in the interest rate, the department may approve the interest expense associated with the increased interest rate for inclusion as a nonextensive renovation. In reviewing a project for approval under this paragraph, the department will apply the criteria specified in paragraph (D) of this rule.

(b) 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 costs of ownership.

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

(5) There is any increase or decrease in the scope of the nonextensive renovation project.



(a) 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.

(b) If the department does not approve the project as revised, the additional costs associated with the change in scope will be reported as costs of ownership.

(c) 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 change in scope will be reported as costs of ownership.

(6) Any change of cost 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.

(F) Reporting a nonextensive renovation project on the cost report

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

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

(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 and prior-approved by the department; and

(c) A detailed reconciliation of actual financing cost 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 in paragraphs (D)(2) and (D)(3) of this rule and in the aggregate satisfy the per-bed cost requirement set forth in paragraph (B)(2) 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 in paragraphs (D)(2) and (D)(3) of this rule do not satisfy the per-bed cost requirement set forth in paragraph (B)(2) of this rule, the costs and related expenses for all the portions of the project that have been reported as a nonextensive renovation will be reported as costs of ownership.