



Ohio Administrative Code

Rule 5160-3-42.3 Nursing facilities (NFs): capital asset and depreciation guidelines.

Effective: November 24, 2019

(A) Depreciation on buildings, components, and equipment used in the provision of patient care that are not reimbursable by medicaid directly to the medical equipment supplier may be paid for through the NF per diem rate.

(B) For purposes of determining if an expenditure should be capitalized, NF providers are to refer to the centers for medicare and medicaid services (CMS) publication 15-1, Chapter 1 entitled "Depreciation," (December 15, 2011), available on the internet at <http://www.cms.gov/>, and shall use the following guidelines:

(1) Any expenditure for an item that costs five thousand dollars or more and has a useful life of two or more years per item must be capitalized and depreciated over the asset's useful life.

(2) A provider may use a capitalization policy less than five thousand dollars per item, but is required to obtain prior approval from the Ohio department of medicaid (ODM) if the provider wishes to change its capitalization policy from its initial capitalization policy.

(C) All capital assets shall be depreciated using the straight-line method of depreciation and salvage value shall be used to adjust capital asset values when calculating depreciation.

(D) For purposes of determining the useful life of a capital asset, NF providers shall use the guidelines in the revised 2018 edition of the american hospital association (AHA) publication entitled "Estimated Useful Lives of Depreciable Hospital Assets," which is available on the internet at <http://www.aha.org/>, or different useful life guidelines if approved by ODM. If a capital asset is not reflected in "Estimated Useful Lives of Depreciable Hospital Assets," internal revenue service (IRS) publication 946 "How to Depreciate Property" (rev. February 15, 2019), available on the internet at <http://www.irs.gov/>, shall be used for purposes of determining the useful life of that capital asset.



(E) For newly acquired assets in the month that a capital asset is placed into service, no depreciation expense is recognized as an allowable expense. A full month's depreciation expense is recognized in the month following the month the asset is placed into service.

(F) The disposal of assets shall be accounted for as follows:

(1) For assets not acquired through a change in ownership, in the month that the capital asset is disposed, if the capital asset is not fully depreciated, the allowable depreciation expense is the historical cost of the asset less the accumulated depreciation of the asset. At no time shall an asset be depreciated more than its adjusted basis; or

(2) For assets acquired through a change in ownership, there shall be no recognition of the disposal of individual assets. At the time of a subsequent change of ownership the disposal of all assets acquired through a change of ownership shall be recognized.

(G) Providers shall maintain the following property records:

(1) For assets not acquired through a change in ownership, detailed depreciation schedules listing each asset acquired; or

(2) For assets acquired through a change in ownership:

(a) Depreciation schedules on a lump sum basis for land, building, and equipment; and

(b) A list of all assets disposed after the change in ownership with the applicable dates of disposal.