
**LOUISIANA DEPARTMENT OF HEALTH AND HOSPITALS
RATE AND AUDIT
NURSING FACILITY MEMORANDUM**

TO: NURSING HOME ADMINISTRATORS
FROM: KENT BORDELON, DIRECTOR OF RATE AND AUDIT
SUBJECT: LOUISIANA MEDICAID NURSING FACILITY CASE-MIX CAPITAL RE-AGE REQUESTS
DATE: 1/10/2008
CC: BOB HICKS, MYERS AND STAUFFER LC

As published in the Louisiana Register on December 20, 2006, nursing facilities paid under the case-mix reimbursement system may now submit capital re-age requests on a quarterly basis. All qualifying re-age requests received by the end of each calendar quarter will be incorporated into the next quarter's case-mix rate.

A capital re-age must meet the requirements stated in §1305.D.3.b.v of the Louisiana Register dated December 20, 2006. Below is a list of the major requirements and clarifications.

1. Major renovations/improvements must be equal to or exceed \$500 per licensed bed.
2. A major renovation/improvement must relate to an actual renovation/improvement and not the normal everyday purchases of various unrelated capitalized assets across the facility. A major renovation/improvement is a continuous project with expenses related to the specific renovation/improvement of a specific nursing-facility area or nursing-facility asset.
3. The \$500 per bed minimum must be met on each renovation/improvement project to be included in a re-age calculation.
4. The renovations/improvements must be related to nursing facility areas only. Areas used for other purposes such as assisted living or apartments cannot be included in meeting the \$500 minimum.
5. The renovations/improvements must have been placed into service within the previous 24 months prior to re-aging. Older projects will not be recognized.
6. For cost report purposes, costs must be capitalized in accordance with the Medicare provider reimbursement manual 15-1, §133 to be considered in a re-aging. For casualty losses, the Medicare provider reimbursement manual 15-1, §133 explains that Medicare recognizes the following:
 - a. The decrease in the asset's net book value after the casualty loss.
 - b. All insurance proceeds and government gifts/grants.

- c. Additional capitalized costs for the replacement or renovation of the impaired asset.

For fair rental value re-aging, the above items are also recognized to the extent that they increase net book value.

Facility A Fair Rental Value Re-Age Example:

Facility A renovations completed and capitalized after casualty loss:	\$2,500,000
Facility A insurance proceeds / government grant money:	<u>\$1,500,000</u>
Total amount recognized in the fair rental value re-age:	<u>\$1,000,000</u>

Facility A Medicare Provider Reimbursement Manual Example:

Facility A net book value prior to casualty loss:	\$4,000,000
Less facility A net book value after casualty loss:	\$2,000,000
Less facility A insurance proceeds / government grant money:	<u>\$1,500,000</u>
Net loss\gain capitalized over the life of the new asset:	\$ 500,000
Plus facility A renovations completed and capitalized after casualty loss:	<u>\$2,500,000</u>
Increase in facility A book value recognized by Medicare:	\$3,000,000
 Plus facility A book value after casualty loss and prior to renovations:	 <u>\$2,000,000</u>
Facility A net book value after casualty loss and renovations:	<u>\$5,000,000</u>
 Less facility A net book value prior to casualty loss:	 <u>\$4,000,000</u>
Increase in facility A net book value	<u>\$1,000,000</u>

To claim a capital re-age, please submit the attached form with all supporting documentation by the end of each calendar quarter. The attached form will be available in an electronic format on the Department of Health and Hospitals, Rate and Audit web-site.

If you have any questions concerning this memorandum, please contact Bob Hicks at 1-800-374-6858 x1249 or e-mail at bhicks@mslc.com.