

**Fair Rental Value System Implementation
Nursing Home Workgroup
July 14, 2008**

Workgroup Participants:

Doug Burr, Cypress Healthcare
Mitch Clary, UHS-Pruitt Corporation
Chris Downing, UHS-Pruitt Corporation
Hope Hickman, GHCA
Jon Howell, GHCA
Susan McGuire, Susan McGuire and Associates
Donna Nackers, Kindred Healthcare
Carol O'Connell, Wellstar Paulding Nursing Center
Rhett Partin, GHA Council on Long Term Care
Jim Westbury, Westbury Home Jackson
R. Lawrence Williams, UHS-Pruitt Corporation

Department of Audits and Accounts Participants:

Russel Clarke
Clint Eidson
Don McLeod
Scott Price

DCH Participants:

Bill Deck
Alec Steele
Carie Summers
Darryl Threat

Agenda Items for the FRV Workgroup Discussion

Introduction and Mission of the FRV Workgroup – Carie Summers

Brief Overview of the Key Elements of the FRV Rate Model – Bill Deck

Timing and scope of DOAS audits of property surveys – Darryl Threat /Russel Clarke

FRV Implementation Issues: - Bill Deck (Discussion Facilitator)

- Discussion of property survey attestations and use of Dodge rates as default FRV rates
- Discussion of Renovations and Replacements
- Discussion of New Construction
- Discussion of other implementation issues

CMS approval process and DCH intention to apply FRV rates retroactively to July 1, 2008 – Alec Steele

Next Steps and Meeting Dates – Bill Deck

Flip Chart Notes: (NOTE: these do not represent decisions made by DCH)

Questions:

1. Level of Detail on original construction
 - a. OPTIONS:
 - i. Certificate of Occupancy
 - ii. Licensure history from DHR (DCH and DOAA to get from DHR)
 - iii. Fire department records
 2. Look back allowance for new data “discovered” after desk review -> will we consider? If so, how long would we allow new information to be reported?
 3. Year of Construction
 - a. Year of conversion to NH if building used for something else previously (e.g., school)
 - b. Or does conversion count as 1st renovation?
 4. Rounding to whole year for age of facility (normal rounding)
 5. If Dodge/historical cost is less than FRVS, do we recalculate Dodge/historical each year to allow an increase in the event the Dodge/historical rate (updated) is still less than FRVS?
 6. Detailed definition of square footage
 - a. RS Means
 - b. Compare to current Medicaid policy manual to ensure consistency
 - c. Reported on survey vs. cost report
 - i. Should be the same (?)
 7. Documentation for Renovations (for \$ and effective date)
 - a. Depreciation schedule
 - b. Invoices of renovation/construction requisitions
 - c. Cannot be previously expensed
 - d. Loan documents
 - e. Property tax records
 - f. CON files
 - g. Appraisals (limited use: e.g., square footage)
 - h. Construction lien releases
 - i. County or city building permits
 - j. Bankruptcy court orders
- 5 projects with effective dates within 12 months + exceed \$500/bed threshold

New Renovations/Replacements/Additions

1. Need an application form for FRVS update due to R/R/A?
 - a. Include documents requested (list)
2. Need pre-notice by facility?
 - a. Web-based
 - b. Threshold for notice? E.g., project > \$XX
 - c. Incentive to submit
 - i. DCH notice of likely FRV impact used by NH to obtain construction loans/financing
 - ii. Expedited FRV update at completion
3. Examples of when to capitalize versus expense
4. Difference in renovations vs. replacement
 - a. Renovation – same square footage; same patients
 - b. Replacement – gutting; movement of beds to other places in the facility; adding total square footage; same patients

After replacement or new facility:

1. Fill up period before 80% occupancy would apply
2. Rules for setting FRV rate for new facility
 - a. 40% year one (average between 0% -> 80%)
 - b. 80% or actual (whichever is higher) for year two and on

Cost report

1. Included in 2008 cost report?
 - a. Survey data + done after survey but before 6/30/08
2. Future?

Web-based calculator for impact of proposed renovations, replacements, additions