

5123-7-18

**Intermediate care facilities for individuals with intellectual disabilities - capital assets and depreciation.**

(A) Purpose

This rule establishes requirements for determining when an asset of an intermediate care facility for individuals with intellectual disabilities (ICFIID) is capitalized and depreciated.

(B) Capitalization of assets

For purposes of determining when an asset is capitalized, an ICFIID ~~shall~~ will use the following guidelines:

- (1) Any item that costs five hundred or more dollars and has a useful life of two or more years ~~shall~~ will be capitalized and depreciated over the asset's useful life.
- (2) An ICFIID that has a capitalization policy in effect on the effective date of this rule to capitalize items that cost less than five hundred dollars ~~shall~~ will continue to follow its policy and ~~shall~~ will obtain prior approval from the department to change its policy.

(C) Determining useful life

For purposes of determining the useful life of a capital asset, an ICFIID ~~shall~~ will use:

- (1) The internal revenue service publication 946, "How to Depreciate Property" ~~(2017), available at <http://www.irs.gov/publications/p946/index.html>~~ (2023), available at <https://www.irs.gov/publications/p946>;
- (2) The American hospital association's "Estimated Useful Lives of Depreciable Hospital Assets" ~~(2018)~~ (2023);
- (3) The appendix to rule 5123:2-7-18 of the Administrative Code as it existed on ~~the day immediately prior to the effective date of this rule~~ December 15, 2019; or
- (4) Another method approved by the department.

(D) Depreciation

- (1) Depreciation on buildings, components of a building, and medical equipment used in the provision of resident care that is not reimbursable directly to the medical equipment supplier in accordance with rule ~~5123:2-7-11~~ 5123-7-11 of the Administrative Code is an allowable cost.
- (2) For purposes of calculating depreciation expense, an ICFIID ~~shall~~ will use the following guidelines:
  - (a) All capital assets ~~shall~~ will be depreciated using the straight-line method of depreciation.
  - (b) 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.
  - (c) In the month that a capital asset is disposed, if the capital asset is not fully depreciated, the allowable depreciation expense is recognized as it is defined in section 132 of the centers for medicare and medicaid services publication 15-1, "The Provider Reimbursement Manual - Part 1" (~~revised January 2005~~), ~~available at <http://www.cms.hhs.gov/manuals>~~ available at <https://www.cms.gov/regulations-and-guidance/guidance/manuals/paper-based-manuals-items/cms021929>. At no time ~~shall~~ will a capital asset be depreciated more than its adjusted basis.
  - (d) An ICFIID ~~shall~~ will maintain, and provide to the department upon request, detailed depreciation schedules to verify each individual capital asset placed in service.

(E) Salvage value

For purposes of determining the salvage value of a capital asset, an ICFIID ~~shall~~ will use the following guidelines:

- (1) An ICFIID ~~shall~~ will maintain, and provide to the department upon request, documentation demonstrating the salvage value for any capital asset determined to have a salvage value of less than ten per cent.
- (2) When an ICFIID determines that a capital asset does not have a salvage value, the ICFIID ~~shall~~ will record a salvage value of zero dollars in its asset ledger.

- (3) If an ICFIID previously recorded a ten per cent salvage value for a capital asset that is still in use and that has a salvage value of less than ten per cent, the salvage value may be added to the capital asset and expensed over the remaining useful life of the capital asset. The ICFIID may revise unaudited cost reports accordingly for years where final cost settlement has not occurred.