

30-10-222. ICF-MR ownership reimbursement fee. (a) The agency shall determine an allowable cost for ownership.

(b) (1) The ownership allowance shall include an appropriate component for:

- (A) Rent or lease expense;
- (B) interest expense on real estate mortgage;
- (C) amortization of leasehold improvements; and
- (D) depreciation on buildings and equipment.

(2) The ownership allowance shall be subject to a facility maximum.

(c) (1) The depreciation component of the ownership allowance shall be:

- (A) Identifiable and recorded in the provider's accounting records;
- (B) based on the historical cost of the asset as established in this regulation; and
- (C) pro-rated over the estimated useful life of the asset using the straight-line method.

(2) (A) Appropriate recording of depreciation shall include identification of the depreciable assets in use, the assets' historical costs, the method of depreciation, the assets' estimated useful life, and the assets' accumulated depreciation.

(B) Gains and losses on the sale of depreciable personal property shall be reflected on the cost report at the time of such sale. Trading of depreciable property shall be recorded in

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accordance with the income tax method of accounting for the basis of property acquired. Under the income tax method, gains and losses arising from the trading of assets are not recognized in the year of trade but are used to adjust the basis of the newly acquired property.

(3) (A) Gains from the sale of depreciable assets while the provider participates in the medicaid/medikan program, or within one year after the provider terminates participation in the program, shall be used to reduce the allowable costs for each cost reporting period prior to the sale, subject to limitation. The total sale price shall be allocated to the individual assets sold on the basis of an appraisal by a qualified appraiser or on the ratio of the seller's cost basis of each asset to the total cost basis of the assets sold.

(B) The gain on the sale shall be defined as the excess of the sale price over the cost basis of the asset. The cost basis for personal property assets shall be the book value. The cost basis for real property assets sold or disposed of before July 18, 1984, shall be the lesser of the book value adjusted for inflation by a price index selected by the agency or an appraisal by an American institute of real estate appraiser or an appraiser approved by the agency. The cost basis for real property assets sold or disposed of after July 17, 1984 shall be the book value.

(C) The gain on the sale shall be multiplied by the ratio of depreciation charged while participating in the medicaid/medikan

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program to the total depreciation charged since the date of purchase or acquisition. The resulting product shall be used to reduce allowable cost.

(4) For depreciation purposes, the cost basis for a facility acquired after July 17, 1984 shall be the lesser of the acquisition cost to the holder of record on that date or the purchase price of the asset. The cost basis shall not include costs attributable to the negotiation or final purchase of the facility, including legal fees, accounting fees, travel costs and the cost of feasibility studies. (Authorized by and implementing K.S.A. 39-708c, as amended by L. 1990, Chapter 152; effective, T- 30-12-28-90, Dec. 28, 1990 ; effective P- March 4, 1991 .)

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