

1     **8.443.9           FAIR RENTAL ALLOWANCE FOR CAPITAL-RELATED ASSETS**

2     8.443.9.A.       FAIR RENTAL ALLOWANCE: DEFINITIONS AND SPECIFICATIONS

3           1.       For purposes of this section concerning fair rental allowance, the following  
4                   definitions shall apply:

5                   a.       Appraised Value means the determination by a qualified appraiser who is  
6                               a member of an institute of real estate appraisers or its equivalent, the  
7                               depreciated cost of replacement of a capital-related asset to its current  
8                               owner. The depreciated replacement appraisal shall be based on the  
9                               most recent edition of the Boeckh™ Commercial Building Valuation  
10                              System available on December 31st of the year preceding the year in  
11                              which the appraisals are to be performed.

12                   ~~Boeckh™ Commercial Building Valuation System is hereby incorporated by  
13                              reference. The Department maintains copies of this incorporated text in  
14                              its entirety, available for public inspection during regular business hours  
15                              at: Colorado Department of Health Care Policy and Financing, 1570  
16                              Grant Street, Denver, CO 80203. Certified copies of incorporated  
17                              materials are provided at cost upon request.~~

18                   b.       Base Value means the value of the capital related assets as determined  
19                               by the most current appraisal report completed by the Department or its  
20                               designee and any additional information considered relevant by the  
21                               Department. For each year in which an appraisal is not done, base value  
22                               means the most recent appraisal value increased or decreased by fifty  
23                               percent (50%) of the change in the Index. Under no circumstances shall  
24                               the base value exceed \$25,000 per bed plus the percentage rate of  
25                               change referred to as the per bed limit.

26                   c.       Capital-Related Asset means the land, buildings and fixed equipment of  
27                               a participating facility.

28                   d.       Fair Rental Allowance means the product obtained by multiplying the  
29                               base value of a capital-related asset by the rental rate.

30                   e.       Fair Rental Allowance Per Diem Rate means the fair rental allowance  
31                               described above, divided by the greater of the audited patient days on  
32                               the provider's annual cost report or ninety percent (90%) of licensed bed  
33                               capacity on file. This calculation applies to both rural and urban facilities.

34                   f.       Fiscal Year means the State fiscal year from July 1 through June 30.

35                   g.       Fixed equipment means building equipment as defined under the  
36                               Medicare principle of reimbursement as specified in the Medicare  
37                               provider reimbursement manual, part 1, section 104.3. Specifically,  
38                               building equipment includes attachments to buildings, such as wiring,  
39                               electrical fixtures, plumbing, elevators, heating systems, air conditioning  
40                               systems, etc. The general characteristics of this equipment are:

41                               i)       Affixed to the building and not subject to transfer; and

1 ii) A fairly long life but shorter than the life of the building to which it  
2 is affixed.

3 h. Index means the square foot construction costs for nursing facilities in  
4 the Means Square Foot Costs Book, which shall be the most recent  
5 publication of R.S.Means Company, Inc. that is updated  
6 quarterly (section M.450, "Nursing Home"), hereafter referred to  
7 as the Means Index.

8 ~~The Means index is hereby incorporated by reference. The Department~~  
9 ~~maintains copies of this incorporated text in its entirety, available for~~  
10 ~~public inspection during regular business hours at: Colorado Department~~  
11 ~~of Health Care Policy and Financing, 1570 Grant Street, Denver, CO~~  
12 ~~80203. Certified copies of incorporated materials are provided at cost~~  
13 ~~upon request.~~

14 i. Rental Rate means the average annualized composite rate for United  
15 States treasury bonds issued for periods of ten years and longer plus two  
16 percent; except that the rental rate shall not exceed ten and three-  
17 quarters percent nor fall below eight and one-quarter percent.

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