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## **OLR Bill Analysis**

### **sSB 323**

#### ***AN ACT CONCERNING CAPITAL EXPENDITURES AT RESIDENTIAL CARE HOMES.***

#### **SUMMARY:**

This bill limits the time period over which the Department of Social Services (DSS) capitalizes certain costs incurred by residential care homes to no more than five years. The limit applies to the capitalization of costs of less than \$10,000 related to the improvement or repair of land, buildings, or fixed equipment purchased by residential care homes and reported to DSS for rate-setting purposes. Current law requires DSS to capitalize each of these costs over a time period based on its useful life as determined by the American Hospital Association.

“Capitalize” means to spread out the cost of an asset over time instead of charging off the expense all at once when it is incurred.

EFFECTIVE DATE: July 1, 2014

#### **BACKGROUND**

##### ***Cost Reports***

By law, nursing homes providing services to Medicaid recipients must provide annual cost reports to DSS. DSS uses these reports to calculate a per-diem rate to pay nursing homes to provide services to Medicaid recipients. In recent years, the legislature has moved away from cost-based rate setting, instead freezing or giving flat percentage increases to all facilities, but the cost reports are still required, as legislation periodically directs DSS to use them for rate setting in some cases. For FYs 14 and 15, the law allows DSS to increase the facility rates for those facilities with a calculated rate greater than the one in effect in FY 13 within available appropriations and other limits.

**COMMITTEE ACTION**

Human Services Committee

Joint Favorable Substitute Change of Reference

Yea 18 Nay 0 (03/11/2014)

Appropriations Committee

Joint Favorable

Yea 49 Nay 0 (04/01/2014)