

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 14-30—sSB 323
Human Services Committee
Appropriations Committee

AN ACT CONCERNING CAPITAL EXPENDITURES AT RESIDENTIAL CARE HOMES

SUMMARY: This act limits to a maximum of five years the time period over which the Department of Social Services (DSS) may capitalize certain costs incurred by residential care homes. 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. Prior law required 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 all the expense when it is incurred. By limiting the capitalization period, the act reduces the amount of time it would take for residential care homes to recover these costs from DSS (to the extent, if any, that some current costs of less than \$10,000 have a useful life longer than five years).

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 for providing these services. 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.

OLR Tracking: MF:KM:PF:ro