Adjustments to the aging index will be rounded to a whole percentage. Percentages greater than or equal to .5 will be rounded up. Percentages less than .5 will be rounded down. A facility wishing to do major renovation to their facility must submit a plan for renovation to the Department of Human Services for review and approval to facilitate an adjustment to the provider's aging index. The duration of the renovation plan cannot exceed a three-year period. The plan shall include a detailed description of the renovation to be done along with the cost of the renovation. The Department will determine if the proposed renovation meets the requirements for major renovation.

The Department will approve or disapprove the renovation project within thirty days of receipt. The provider will then submit a detailed description of the actual work performed and a statement of the actual cost of the renovation upon completion of the project. Renovations that were not completed in compliance with the plan for renovation will not be considered. The Department will notify the provider of the adjustment to the facility aging index as a result of the major renovation. Under no circumstances will the aging index be reduced to less than zero.

6. Aging Index
   Age of provider beds for purposes of calculating the aging index were taken from surveys provided by the Arkansas Health Care Association as prepared by providers. The provider is responsible for the accuracy of the information provided. The provider may at any time be required to provide records validating this information. The aging index is subject to adjustment based upon review or audit.

D. Quality Assurance Fee

Act 635 of 2001 established the levy of a quality assurance fee on nursing facilities. The reimbursement rate paid nursing facilities will include a Quality Assurance Fee component. The Quality Assurance Fee component will be reimbursed at the amount established as the multiplier as defined in Act 635 for the date of service billed.

E. Emergency Generators

Act 1602 of 2001 requires nursing facilities to own and maintain emergency generators. This establishes an add-on payment for installing emergency generators applicable only to first time emergency generators installed in order to comply with act 1602 of 2001. Facilities that do not meet the requirement of existing facility as defined in Act 1602 will not receive any add-on payment in addition to the facility's fair market rental payment. Add-on payments shall be made only for the periods that depreciation or lease expense for the cost of first time generator installations is allowable.

Facilities will be required to submit copies of invoices indicating generator cost and a copy of the financing arrangement if any for the emergency generator installation or a copy of the generator operating lease if any. Facilities that fail to provide this information by December 1, 2002 will not be paid the add-on for thirty days past the date of submission. Should the financing arrangement on the emergency generator change during the add-on period; the facility must provide revised financing information that will be used to calculate the add-on for the following calendar year.

Facilities will be paid an add-on to their per diems for installing emergency generators. The add-on payment will begin January 1, 2003 and will be adjusted each January 1 for the period the add-on is applicable. Using cost information supplied by the facility, the add-on will be calculated by dividing the sum of projected yearly depreciation and projected yearly interest expense or projected yearly lease expense by the greater of the actual resident days from the previous cost reporting period or resident days calculated at the minimum occupancy levels identified in section 2-4 A. 1. C. Fair Market Rental.

Depreciation will be calculated using the straight-line method assuming a useful life of ten years. Interest expense will be allowable and included in the add-on for emergency generators for a maximum period of five years. Interest expense and the associated debt instrument reimbursed under this provision will not be included in the fair market rental payment or any other component of the rate. Lease expense on emergency generator systems will only be allowable for a maximum period of ten years.

Change of ownership does not affect add-on payments. Facilities that change ownership while receiving a generator add-on payment will continue to receive the add-on for the remainder of the allowable period identified above using the original owner's projected expense.

2. Facility Payments – Interim Rates

   An interim rate will be established at the beginning of each state fiscal year for each facility. The interim rate will be established by applying the inflation index to the actual per diem rate from the previous rate period. (For the period January 12, 2001 to June 30, 2001, an actual rate will be calculated from cost reports submitted for the period July 1, 1999 to June 30, 2000. No initial interim rate is necessary because the methodology has been implemented the second half of the rate period and therefore actual rates have been calculated.) The interim rate is necessary to allow time for providers to complete cost reports and allow the Department adequate time to review the cost reports and calculate rates. After the actual per diem calculations occur providers will be paid a weighted per diem rate for the portion of the rate year remaining. The weighted per diem rate will provide for an average payment approximating providers actual per diem.

The following formula will be used to calculate the weighted per diem rate.
{(Actual Per Diem Rate x 12) - (Interim Rate x Months Used)}/ Months Remaining.

3. New Facilities and Change of Ownership

A provider who constructs, leases, purchases a facility, or an existing facility that has not previously participated in the Medicaid program, will be paid a provisional rate. The provisional rate will be established as follows.

A. The Direct Care per diem rate will be established at the inflation adjusted ceiling for that rate period.
B. The Indirect, Administrative, and Operating per diem will be the class rate as established for that rate period.
C. The Fair Market Rental Payment will consist of a return on equity payment assuming no debt, a facility rental factor, and property taxes and insurance at the industry average. The industry average for property taxes and insurance will be calculated by dividing the total cost for all full year facilities as identified on facility cost reports by total resident days for the cost reporting period. The per diem payment will be calculated by dividing the sum of the components above by the required minimum occupancy. New facilities that have been constructed will use an occupancy rate of fifty percent when calculating the per diem for this component. Facilities that want to establish their provisional rate assuming a higher percent of occupancy can do so by supplying projected occupancy figures to the Department. Facilities have the option of providing documents indicating the actual cost of property taxes and insurance to be used for cost of ownership figures. Actual cost of ownership information can be supplied any time during the initial six-month period. The Division will adjust the facility's provisional rate prospectively based on the information provided.

A new facility or facility that has changed ownership will submit a six month cost report as required in section 1-6 of this manual. The provisional rate will be retroactively adjusted to the per diem calculated in the following manner.

A. The provider's direct care per diem rate will be calculated from the six month cost report using the inflation index adjusted ceiling for the applicable rate period. For cost reports that span two rate periods the applicable rate period will be considered the one that contains the majority of the days included in the six month report.
B. The Indirect, Administrative, and Operating per diem will continue to be the class rate as established in the provisional rate.
C. The amount identified as the sum of the components used in the original calculation (as adjusted for actual cost data if applicable) for the Fair Market Rental Payment will remain as established in the provisional rate. The actual per diem amount will be adjusted to reflect the greater of actual occupancy, or the minimum required occupancy for facilities that have changed ownership or fifty percent occupancy for new facilities. After the initial six-month reporting period the Fair Market Rental payment will be calculated using a minimum occupancy factor as required in these regulations for both new facilities and facilities that have changed ownership.

If either the provisional rate or the actual rate calculated from the six month cost report extend from one rate period to another, appropriate adjustments will be made to the vendor payment. The inflation index will be applied to the direct care per diem. The administrative and operating per diem will be changed to the class rate for the latest rate period. The fair market rental per diem will be adjusted to reflect any change in the PBV for the latest rate period.

4. Terminating Facilities

   Facilities that withdraw from the Medicaid program either voluntarily or involuntarily will not be required to submit a final cost report. All payments made to a facility as interim or provisional will be considered as final. This provision does not apply to any fines or penalties that have been imposed on a facility.

5. Inflation Index

   For all inflation adjustments (unless stated otherwise in the specific area of the plan) the Department will use the Skilled Nursing Facility Market Basket – Without Capital index published by Standard & Poor's DRI published for the quarter ending June 30th of the cost reporting period. The Department will use the %MOVAVG figure identified for the final quarter of the rate period.

6. Adjustments to Provider Cost Reports

Adjustments to an individual provider's per diem may be necessary as a result of amended cost reports, desk review, or audit. Should a provider's per diem be adjusted for any reason a retroactive adjustment will be made for all resident days paid back to the beginning of the rate period. Adjustments to a provider's per diem resulting from any source other than