



MEDICAL ASSISTANCE BULLETIN

COMMONWEALTH OF PENNSYLVANIA • DEPARTMENT OF PUBLIC WELFARE

ISSUE DATE

December 7, 2007

EFFECTIVE DATE

September 1, 2007

NUMBER

03-07-10

SUBJECT

Nursing Facility Documentation Requirements for Movable Equipment That Is Rented or Leased

Michael Nardone

Deputy Secretary for Medical Assistance Programs

John Michael Hall

Deputy Secretary for Office of Long Term Living

PURPOSE: To **remind** nursing facilities that the acquisition cost of movable property that is rented or leased is an allowable cost **only** if certain requirements at Title 55 Pa. Code section (1187.61(e)) are met.

SCOPE: This bulletin applies to all nursing facilities claiming a movable equipment rental and/or lease expense on their cost report, the Financial and Statistical Report for Nursing Facilities and Services under the Medical Assistance Program of the Department of Public Welfare.

BACKGROUND: In 2001, allowable movable property costs were removed from the fair rental value calculation (PA Bulletin volume 31 # 26, June 30, 2001). Movable property was divided into two classes (minor and major) based on acquisition cost. Major movable property, items with an acquisition cost of \$500 or more, were included in a new movable property component in the capital portion of the nursing facilities' per diem rates. To incorporate this change, the regulations at 55 Pa. Code, Section 1187 were updated to include Section 1187.61 relating to moveable property cost policies.

Nursing facilities are required per 55 Pa Code, Section 1187.61(e) to enter into a written lease agreement for movable property that is rented or leased. 55 Pa Code, Section 1187.61(e) states the following:

“(e) The acquisition cost of movable property that is rented or leased is an allowable cost only if the following requirements are met:

(1) The agreement to rent or lease the movable property shall be in writing, identify each item of movable property that is being rented or leased, identify any other services or supplies that are being provided under the agreement, identify the term of the agreement, the payment intervals, and the amount of the periodic payments and total payments due under the agreement.”

“(2) The agreement to rent or lease the movable property shall set forth a suggested purchase price for each item of movable property rented or leased.”

COMMENTS AND QUESTIONS REGARDING THIS BULLETIN SHOULD BE DIRECTED TO:

Visit the Office of Medical Assistance Programs website at www.dpw.state.pa.us/omap

PROCEDURE:

Section 1187.61(e) applies to all movable property rentals and leases; long term and short term including daily rentals/leases. The acquisition cost of rented or leased movable property is not allowable if the nursing facility does not comply with 55 Pa. Code, Section 1187.61(e).

A recent survey revealed that some nursing homes may not be securing all documentation required by 55 Pa. Code, Section 1187.61(e). Specifically, nursing homes are not securing written agreements for rented or leased medical equipment such as concentrators, nebulizers, beds, wheelchairs, wound vacuums, pulse meters, timeters, commodes, vital signs equipment, compression pumps, ventilators, pressure alarms humidifiers, etc. The acquisition cost of rented or leased movable property is not allowable if the nursing facility does not comply with 55 Pa. Code, Section 1187.61(e).

Attached are two examples of acceptable rental/lease agreements. The examples are based on actual agreements between vendors and nursing facilities. These examples do not set forth the exclusive format or terms for agreements required by Section 1187.61(e). Rather, they demonstrate how those requirements can be satisfied.

Nursing facilities are required to comply with program regulations, including Section 1187.61(e). Therefore, a nursing facility should not report the cost of rented or leased movable equipment as an allowable cost unless the nursing facility possesses the documentation required by that Section. Starting with audits of costs reports submitted for calendar year ended 2007 and fiscal year ended June 30, 2008, compliance with that section will be an area of increased focus by the Department's auditors.