

# Fair Rental Value FAQs

## What is Fair Rental Value?

State Plan, 4.19 D., states that a Fair Rental Value (FRV) reimbursement system will be used to determine each facility's capital rate. A Free-Standing Nursing Facility must submit a request for the FRV Per Diem component of the Nursing Facility's Annual Medicaid Rate. The FRV component of a nursing facility's rate may be increased based on eligible Capital Renovation Projects, or addition of beds.

## Authority/Policy

State Plan, Attachment 4.19-D Page 5d.1

MSM Section 704

## What is a Capital Renovation?

A Capital Renovation Project shall mean a series of activities and investments which materially

- (a) expand the capacity
- (b) reduce the operating and maintenance costs, or
- (c) ensure the operating efficiency and/or extend the useful economic life of a fixed asset.

## What are the FRV requirements for a Capital Renovation Project?

The FRV component of a facility's rate will be adjusted (increased) to reflect the cost of major renovation / replacement projects completed by a facility not to exceed a 24-month period. The renovation adjustment will be made at the start of the first rate year following completion of the renovation / replacement project.

1. The cost of renovation project must be documented within each facility's depreciation schedule.
2. The cost of renovation project must be reported to the Medicaid program no later than May 1st prior to the July 1st rate year when they would first be eligible for incorporation into the FRV rate setting process.
3. The cost of renovation project(s) must exceed \$1,000 per licensed bed to be considered a major renovation.

## Can smaller projects be submitted together for a Capital Renovation Project?

If several smaller Capital Renovations are completed at a facility, they will be considered as one large project if the smaller projects are related in scope of the renovation. If the smaller projects cannot be related in scope, they will be considered separately, and each smaller project must meet the \$1,000 per bed threshold.

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## What are the allowable costs for a Capital Renovation Projects?

The Capital Renovation Project may involve new construction, reconstruction or renovation. Allowable costs include the costs of land & buildings.

Certain costs for repairs may be included but only when such costs are incidental to and necessitated by the Capital Project.

**Note: In no event shall costs for ordinary repairs and maintenance of an ongoing nature be included in a Project.**

## Is purchase and installation of moveable equipment eligible?

Generally, major moveable equipment is not eligible as a renovation. The fact that equipment must be replaced is factored into calculating the new Bed Value. The exception is if a project includes purchasing moveable equipment or furniture such as a dining room renovation or an office expansion. In such cases, the cost of the equipment and furniture should be included in the price of the remodel. Otherwise, if the moveable equipment is not clearly an integral component of the project, its costs will be audited out.

## What documents are needed for FRV determination?

A formal letter stating a request for an FRV review as well as the following documents:

1. Fixed Asset List
2. Purchase Invoices showing the purchase date, units purchased and purchase price
3. Depreciation Schedule
4. Cost Report Form F-1

## If a project takes two years to complete, is it eligible for consideration in the first year of the renovation project?

No. A project that spans over two years will be eligible for consideration after the project ends. It would not be eligible for consideration in the first year.

## What is the deadline to submit the FRV request?

The deadline is May 1<sup>st</sup> before the next rate year begins on July 1<sup>st</sup>. Postmarks of May 1<sup>st</sup> will be accepted per NRS 238.100.

## Where should the FRV requests be sent?

Please address the FRV requests to:  
Division of Health Care Financing and Policy, Attn: Supplemental Reimbursement Unit  
1100 E. William Street Suite 101, Carson City, NV 89701