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CERTIFICATE


STATE OF WISCONSIN)
) SS
DEPARTMENT OF HEALTH AND SOCIAL SERVICES)

I, Patricia A. Goodrich, Secretary of the Department of Health and Social Services and custodian of the official records of the Department, do hereby certify that the annexed rules relating to the maximum allowable cost per nursing home bed for nursing home construction projects were duly approved and adopted by this Department on August 20, 1990.

I further certify that this copy has been compared by me with the original on file in the Department and that this copy is a true copy of the original, and of the whole of the original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the Department at the State Office Building, 1 W. Wilson Street, in the city of Madison, this 20th day of August, 1990.

SEAL:



Patricia A. Goodrich, Secretary
Department of Health and Social Services

10-1-90

ORDER OF THE
DEPARTMENT OF HEALTH AND SOCIAL SERVICES
AMENDING RULES

To amend HSS 122.07(1)(c) 1 and 2, relating to the maximum allowable cost per nursing home bed for nursing home construction projects

Analysis Prepared by the Department of Health and Social Services

This order amends the formula in s. HSS 122.07(1)(c) for determining the maximum cost per nursing home bed that will be allowed for nursing home construction projects subject to prior review and approval by the Department under ch. 150, Stats., and ch. HSS 122. The present formula sets a maximum cost per bed allowed for nursing home replacement or renovation based on the statewide average cost per bed for projects in base year 1983 (\$31,000) times the construction inflation increase since 1983. The existing rules do not permit the Department to approve a project if the cost per bed for nursing homes other than facilities for the developmentally disabled (FDDs) is more than 1.2 times the base 1983 statewide average cost per bed times the construction inflation increase since then, and if the cost per bed for FDDs is more than 1.3 times that product.

Since 1983 health facility architects have pointed to research indicating the benefits of providing a more spacious environment for nursing home residents which results in more costly facilities. Nursing home administrators have been submitting proposals for facilities which reflect the need for more activity and ancillary space as well as the desire for both larger rooms and more single occupancy rooms. As these needs and desires have increased, nursing home project costs have come closer and closer to the maximum cost per bed allowed under the existing rules.

Now, several large multi-million dollar replacement projects in high construction cost areas of the state have projected costs in excess of the allowable costs under the existing formula. There are several other projects in the planning stages. Each of these projects will replace antiquated or marginal physical plants. In recognition of changing views about appropriate space for nursing home residents, the Department has decided that it is time to change the formula, unchanged since 1983 except for inflation, for computing maximum allowable per beds costs for facility construction projects to permit higher per bed costs.

This rule change increases the multiplying factor in the formula from 1.2 for nursing homes and 1.3 for FDDs to 1.4 for both types of facilities. The immediate result, using the February 1990 inflation factor, will be to increase the maximum cost per bed approval under ch. HSS 122 from \$41,664 for nursing homes and \$45,136 for FDDs to \$48,608 for both types of facilities.

The Department's authority to amend these rules is found in ss. 150.03, Stats. The rules interpret s. 150.39, Stats.

SECTION 1. HSS 122.07(1)(c) 1 and 2 are amended to read:

HSS 122.07(1)(c) 1. The proposed cost per bed for total facility replacement or for new facilities and beds does not exceed the following per bed cost expressed in the formula for nursing homes ~~other than and~~ and FDDs, that C is less than or equal to ~~1.2 (S)(F)~~ 1.4 (S)(F) ~~and in the formula for FDDs and for other nursing homes in which more than 50% of the residents calculated on an annual basis have a physical illness as their primary diagnosis and also have a mental illness, either of which would independently require nursing care, that C is less than or equal to 1.3(S)(F).~~

a. "C" in this formula means maximum cost per bed using the capitalized project costs, including site improvements, buildings, fixed equipment, interest during construction and professional and financing fees, calculated to the midpoint of construction.

b. "S" equals \$31,000.

Note: \$31,000 is the statewide cost per bed for the base year 1983.

c. "F" in this formula means inflation factor.

Note: The Department uses the inflation estimates published in Engineering News Record's Building Cost Index.

2. The proposed equivalent cost per bed for renovation and partial replacement projects does not exceed the per bed cost as expressed in the formulae for nursing homes ~~other than and~~ and FDDs, ~~the~~ that C_e is less than

~~1.2(S)(F) 1.4 (S)(F) and in the formula for FDDs and for other nursing homes~~
~~—35 35~~
~~in which more than 50% of the residents calculated on an annual basis have a~~
~~physical illness as their primary diagnosis and also have a mental condition,~~
~~either of which would independently require nursing care, that C_e is less than~~
~~1.3(S)(F).~~
~~35~~

a. "C_e" in this formula means the maximum equivalent per bed cost, calculated as follows:

$$C_e = \frac{\text{capitalized project costs}}{\text{(remaining useful life of affected areas) (total beds)}} + \frac{\text{current annual depreciation}}{\text{total beds}}$$

b. "S" and "F" in this formula are as defined in subd. 1.

Note: The maximum capital allowances calculated pursuant to par. (c) are not to be used by applicants as the expected cost of projects. Applicants are encouraged to seek less costly alternatives to the state maximums and all applications will have to meet all review criteria before undergoing the selection process in sub. (2).

The rules contained in this order shall take effect on the first day of the month following their publication in the Wisconsin Administrative Register, as provided by s. 227.22(2), Stats.

Wisconsin Department of Health and
Social Services

Dated: August 20, 1990

By: 
Patricia A. Goodrich
Secretary

SEAL: