

**Application for Rate Adjustment for Large Asset Acquisitions  
Pursuant to V.D.R.S.R. §4.11(a)**

This Practice and Procedure Issuance prescribes the procedures and forms to be used by providers applying for rate adjustments for the **individual capital expenditures**, pursuant to V.D.R.S.R. §4.11(a). (This Practice and Procedure Issuance does not apply to increased costs resulting from changes in ownership, pursuant to V.D.R.S.R. §§4.7 and 4.11(b).)

**I. GENERAL CONSIDERATIONS**

1. No provider has a **right** to a rate adjustment under V.D.R.S.R. §4.11(a). **Approval of any application is at the discretion of the Division**, which may grant or deny or modify the adjustment applied for. V.D.R.S.R. §4.11(c).

2. **The burden is always on the provider** to prove the facts which support the application and to show that the capital expenditure for which the adjustment has been requested is reasonable, necessary and related to resident care. It is up to the provider to see that its application is supported with sufficient factual material. The Division has no obligation to request additional material and **may deny the application if the provider does not provide the necessary factual support at the time the application is filed**. V.D.R.S.R. §4.11(c).

3. Providers should bear in mind that **only the provider's incremental property and related costs will be considered in calculating an adjustment**. Incremental costs are equal to the **difference** between the expenses reflected in the current Property and Related rate component and the costs incurred or expected to be incurred as a direct result of the acquisition of the asset(s) that gives rise to the application.

4. The applicant must demonstrate that in its acquisition of the asset(s) it has complied with the requirements of V.D.R.S.R. §2.2 relating to procurement standards.

5. Providers should **not** apply for a rate adjustment unless the rate, in effect at the time the application is made, will increase by at least 0.5 percent as a result of the approval of the adjustment.

6. Providers must give at least **60 days written notice** to the Division prior to the purchase of the asset(s).

7. However, the Application for Rate Adjustment should be filed as early as possible. The Division will issue a decision within 60 days of its **receipt of all required information**.

8. If the application for an adjustment is granted, the change in rates will be effective from the **first day of the quarter** following the filing date of the written notice, following the date of the

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final order on the application, or following the date the asset(s) are actually put into service, whichever is the later. (V.D.R.S.R. §4.11(d).)

**II. INSTRUCTIONS**

1. Applicants should use the following forms:

- (a) *Application for Rate Adjustment for Individual Capital Expenditure (Form 93-4.4F)*
- (b) *Reasons for Rate Adjustment (Form 93-4.5F)*
- (c) *Calculation of Proposed Adjustment and Exhibit List (Form 93-4.6F)*

2. On Form 93-4.5F, *Reasons for Rate Adjustment*, the provider must complete all applicable questions, including a comprehensive description of the asset(s) and a detailed explanation of the reasons for their acquisition.

3. Applicants should bear in mind that only those **allowable costs actually incurred** by the provider will be considered in calculating the adjustment.

The following documents must be provided and listed on the Exhibit List on Form 93-4.6F, *Calculation of Proposed Adjustment and Exhibit List*:

- (a) Balance sheet (or trial balance) for the most recently completed month.
- (b) Workpapers showing the actual cost of the asset(s).
- (c) Supporting evidence, such as bills and invoices.
- (d) Evidence demonstrating compliance with V.D.R.S.R. §2.2, relating to Procurement Standards, demonstrating that the prudent buyer principle has been applied in making the acquisition, such as other bids, estimates, etc.
- (e) Workpapers relating to the financing of the purchase, including funded depreciation schedules, amortization schedules, notes, etc.
- (f) Workpapers showing the cost currently included in the Property and Related rate component for assets (if any) that are replaced by the new acquisition and the calculations of the incremental costs.

4. The provider should use the calculations from these workpapers when completing Form 93-4.6F, *Calculation of Proposed Adjustment*:

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- (a) The Property and Related rate component as shown on the provider's most recent rate certificate should be used to complete the first column.
- (b) The second should consist of the Property and Related rate component, including the proposed adjustments based on the provider's new incremental costs.
- (c) The third column is the difference between the first and second columns.
- (d) For the materiality test, use the total cost of the asset and compare it with the applicable threshold per bed multiplied by the number of licensed beds in the facility. (See page 93-4.1, paragraph 5.)

Effective: December 21, 1998

s/Gary Bergeron for Veronica Celani  
Veronica Celani  
Director