

# FRV (Fair Rental Value)



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# FRV

Location for all of this information is in the State Plan  
under 4.19-D - Methods and Standards for  
Establishing Payment Rates - Skilled Nursing and  
Intermediate Care Facility Services  
And  
the Medicaid website

<https://medicaid.utah.gov/stplan/>

[https://medicaid.utah.gov/stplan/  
ongtermcareenffcp/](https://medicaid.utah.gov/stplan/longtermcareenffcp/)

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- Used as part of the NF rate setting process
  - Case Mix
  - Flat Rate
  - Property (FRV)
- Based on:
  - Square Footage of facility
  - Number of licensed beds
  - Year of initial construction
    - RS Means rate
    - Capital changes
- FRV Calculation

FRV

# FRV calculator

<https://medicaid.utah.gov/stateplan/NursingHomes/FRV/FRV%20Calculation%20Template.xlsx>

### Data Input for Utah Capital Model

Age in (year)

Rate of Return

Capital Cost / Bed

Depreciation Rate

**Attachment 4.19-D Section 634(b)** - As used in this subsection (b), "capital index" is the percent change in the nursing home "Per bed or person, total cost" row and "3/4" column as found in the two most recent annual R.S. Means Building Construction Cost Data as adjusted by the weighted average total city cost index for Salt Lake City, Utah.

#### R.S. Means Building Construction Cost Data

"Per bed or person, total cost" row and "3/4" column  
two most recent annual publications

Year	3/4 Column	Percent change (capital index)	Weighted average total cost index for Salt Lake City	Adjustment	Capital Cost per Bed
2014	86,000	2.3%	86.8	2.02%	\$68,890.39
2015	88,000	2.3%	87.4	1.99%	\$70,258.81
2016	89,611	1.8%	89	1.60%	\$71,382.95
2017	89,611	0.0%	89	0.00%	\$71,382.95
2018	90,618	1.1%	90	1.00%	\$72,096.78
2019	90,618	0.0%	90	0.00%	\$72,096.78
2020	90,618	0.0%	90	0.00%	\$72,096.89
2021	91,625	1.1%	91	1.00%	\$72,817.95
2022	91,625	0.0%	91	0.00%	\$72,817.95
2023	91,625	0.0%	91	0.00%	\$72,817.95
2024	91,625	0.0%	91	0.00%	\$72,817.95

FRV

Facility Name

Test

\*\*\*You may only change Blue background cells\*\*\*

Total Sq. Footage 24,000

Total No. of Licensed Beds 15

Square Footage per Bed 1,600

Total No. of Medicaid Certified Beds 10

Year of Initial Construction 2002

Number of Beds in Initial Construction 10

**Modification Line Three**

If Addition or Replacement, enter number of beds added or replaced

If Renovation, enter \$ amount of renovation

Modification Number	1	2	3	4	5	6	7	8	9	10	11
Type of Change	Renovation										
Year of Change	2023										
Number of Beds or \$ Amount of Renovation	1,555,100										

Calculation		1	2	3	4	5	6	7	8	9	10	11
New bed total		10	10	10	10	10	10	10	10	10	10	10
Difference in years		21										
Historical Cost (Means Cost Indexes Table)		72,818										
Rate of depreciation		1.50%										
Accumulated Depreciation		22,938										
New bed equivalent		10										
New Base Year (if Addition)												
New Base Year (if Replacement)												
New Base Year (if Renovation)		2023										

Age (actual)	1
Age with Max of 35 years	1
Last Year of Addition, Replacement or Renovation	2023

FRV

## Fair Rental Value Model

1	Facility	Test
2	Urban or Rural?	Urban
3	Last year of Addition, Replacement or Renovation	2023
4	Value per Bed	72,818
5	Equipment Value per Bed	7,282
6	Total Value per Bed	80,100
7	Number of Beds (Total)	10
8	Depreciation Rate	1.50%
9	Number of Years	1
10	Value per bed X Beds	800,997
11	Accumulated Depreciation	12,015
12	Net Value	788,982
13	Land	72,818
14	Total Value	861,800
15	Value per Bed	86,180
16	Rental Rate	9%
17	Rental Return	77,562
18	Annual Patient Days	12,345
19	Min Occupancy	3,103
20	FRV Property Rate (\$8 min)	8.00

FRV

Utah Medicaid Nursing Home Rates		Quarter:	Current	Prior
		SFQ: 20251 - Jul 01, 2024 to Sep 30, 2024	Case Mix Base \$ (Base PDPM):	\$ 107.46
Final	07/01/24	Flat Rate Component:	\$ 106.22	\$ 106.22

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FacName	NPI	FacID	Case Mix <sup>1</sup>	Case Mix Normal	× Base PDPM	Fair Rental Value Property	Real Prop. Taxes and Insurance	Total FRV Property	Case Mix + Property + Flat Rate
Alpine Meadow Rehabilitation and Nursing	1942650148	UT207180	604.28	1.09	117.45	21.92	3.61	25.52	249.19
Avalon Care Center VA Ogden	1114253275	UT000390	552.90	1.00	107.46	19.75	1.39	21.14	234.83
Avalon VA Central Utah Payson	1205177722	UT000603	552.90	1.00	107.46	18.47	1.20	19.67	233.36
Avalon VA Southern Utah Ivans	1366783466	UT000598	552.90	1.00	107.46	18.59	1.02	19.62	233.30
Avalon VA Utah State	1972754133	UT113486	552.90	1.00	107.46	15.15	1.27	16.43	230.11
Bella Terra St George	1164881025	UT614065	546.81	0.99	106.28	16.64	2.50	19.14	231.64
Canyonlands Care Center	1881991701	UT000446	500.33	0.90	97.25	17.33	-	17.33	220.79
Cascades at Orchard Park	1164889457	UT0060	576.54	1.04	112.06	21.94	1.53	23.47	241.75
Cascades at Riverwalk	1215344163	UT000664	585.75	1.06	113.85	19.69	4.30	23.99	244.06
Cedar Health and Rehabilitation	1740648989	UT0036	557.76	1.01	108.41	19.26	1.07	20.34	234.97
City Creek Post Acute	1770036790	UT0076	527.05	0.95	102.44	22.69	2.32	25.01	233.67

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FacName	Last Upgrade Year	Effective Age Year	Effective Age	Equipment	Land	Capital	Beds	Value Per Bed X Beds	Accumulated Depreciation	Rental Return	Min Occupancy	Property Rate	Patient Days	Mcaid Days	Tax/Insurance	Ratio	Exclude Under 20%
Alpine Meadow Rehabilitation and Nursing	2022	2021	3	7,282	7,282	72,818	42	3,670,027	165,151	315,439	9,965	21.92	14,393	12,942	3.61	92.3%	-
Avalon Care Center VA Ogden	2020	2014	10	7,210	7,210	72,097	120	10,381,968	1,557,295	794,221	37,230	19.75	40,211	4,485	1.39	11.2%	1
Avalon VA Central Utah Payson	2020	2014	10	7,210	7,210	72,097	108	9,343,771	1,401,566	714,799	33,507	18.47	38,705	1,652	1.20	4.3%	1
Avalon VA Southern Utah Ivans	2020	2014	10	7,210	7,210	72,097	108	9,343,771	1,401,566	714,799	33,507	18.59	38,448	2,235	1.02	5.8%	1
Avalon VA Utah State	2020	2001	23	7,210	7,210	72,097	81	7,007,828	2,417,701	413,111	19,217	15.15	27,263	730	1.27	2.7%	1
Bella Terra St George	2009	2007	17	6,415	6,415	64,154	173	13,318,370	3,396,184	892,997	53,673	16.64	21,638	18,420	2.50	82.4%	-
Canyonlands Care Center	2010	2011	13	6,344	6,344	63,442	36	2,740,694	534,435	198,563	11,169	17.33	11,460	7,767	-	67.8%	-
Cascades at Orchard Park	2023	2016	8	7,282	7,282	72,818	52	4,543,843	545,261	359,872	16,133	21.94	16,399	12,200	1.53	74.4%	-
Cascades at Riverwalk	2012	2014	10	6,616	6,616	66,162	120	9,527,328	1,429,099	728,841	28,470	19.69	37,014	22,546	4.30	60.9%	-
Cedar Health and Rehabilitation	2024	2008	16	7,282	7,282	72,818	120	10,485,792	2,516,590	717,228	37,230	19.26	26,084	17,376	1.07	65.4%	-
City Creek Post Acute	2024	2017	7	7,282	7,282	72,818	108	9,437,213	990,907	760,167	33,507	22.69	21,750	15,373	2.32	79.3%	-

FRV

This is the Fair Rental Value of the facility as calculated each July 1.  
It reflects the fair rental market value of the facility.  
(See Section 634)

FRV Data Report - Generally, the FRV Data Report reporting period is for 12 months. However, when there is a new facility or a change in owners or operators, there may be reporting periods of less than 12 months. Normally, the reporting period is March 1 through February 28 or 29.

FRV

**FRV Data Report** – The Fair Rental Value Data report is an optional report that provides the State with more timely information for inclusion in the FRV calculation.

The Fair Rental Value Data Report is used for reporting capital improvements and related items for use in the FRV calculation.

FRV Data Report

In order to recognize, in a timely manner, facility construction costs, this optional report must be submitted if the facility wishes the Department to include that information in calculating its Fair Rental Value.

This report is due on the first business day of March. This report is optional. It must be submitted for the data to be used in the following July 1 FRV calculation. Failure to submit this report, or having submitted it late, will preclude the information from being used in the following July 1 FRV calculation.

## FRV Data Report

Property costs will be calculated and reimbursed as a component of the facility rate based on a Fair Rental Value (FRV) System.

- (a) Under this FRV system, the Department reimburses a facility based on the estimated value of its capital assets in lieu of direct reimbursement for depreciation, amortization, interest, and rent or lease expenses. The FRV system establishes a nursing facility's bed value based on the age of the facility.
  - (i) The initial age of each nursing facility used in the FRV calculation is determined as of September 15, 2004, using each facility's initial year of construction.
  - (ii) The age of each facility is adjusted each July 1 to make the facility one year older.

FRV for property

(iii) The age is reduced for replacements, major renovations, or additions placed into service since the facility was built, provided there is sufficient documentation to support the historical changes.

A. If a facility adds new beds, these new beds are averaged into the age of the original beds to arrive at the facility's age. The number of beds added is obtained through the State's facility licensing entity prior to calculating the FRV for the new rate period.

B. If a facility reduces beds, the reduced beds are subtracted from the total beds used. The number of beds added or reduced is obtained through the State's facility licensing entity prior to calculating the FRV for the new rate period.

FRV for property

C. If a facility has replacement beds, these replacement beds are averaged into the age of the original beds to arrive at the facility's age.

I. The project must have been completed during a 24-month period, except during an emergency as declared by the president of the United States or the governor, affecting the building or renovation of the physical facility which may extend up to 24 additional months as approved by the Utah Medicaid director or designee, and reported on the FRV Data Report for the reporting period used for the July 1 rate year and be related to the reasonable functioning of the nursing facility.

D. If a facility completed a major renovation, the cost of the project is represented by an equivalent number of new beds.

FRV for property

- (I) The project must have been completed during a 24-month period and reported on the FRV Data Report for the reporting period used for the July 1 rate year and be related to the reasonable functioning of the nursing facility. Renovations unrelated to either the direct or indirect functioning of the nursing facility shall not be used to adjust the facility's age.
  
- (II) The equivalent number of new beds is determined by dividing the cost of the project by the accumulated depreciation per bed of the facility's existing beds immediately before the project.
  
- (III) The equivalent number of new beds is then subtracted from the total actual beds. The result is multiplied by the difference in the year of the completion of the project and the age of the facility, which age is based on the initial construction year or the last reconstruction or renovation project. The product is then divided by the actual number of beds to arrive at the number of years to reduce the age of the facility.

FRV for property



(b) A nursing facility's fair rental value per diem is calculated as follows:  
As used in this subsection (b), "capital index" is the percent change in the Salt Lake City Location Factor as found in the two most recent annual R.S. Means Data.

(i) On July 1, 2004, the buildings and fixtures value per licensed bed is \$50,000. To this \$50,000 is added 10% (\$5,000) for land and 10% (\$5,000) for movable equipment. Each nursing facility's total licensed beds are multiplied by this amount to arrive at the "total bed value." The total bed value is trended forward by multiplying it by the capital index and adding it to the total bed value to arrive at the "newly calculated total bed value." The newly calculated total bed value is depreciated, except for the portion related to land, at 1.50 percent per year according to the weighted age of the facility. The maximum age of a nursing facility shall be 35 years. There shall be no recapture of depreciation. The base value per licensed bed is updated annually using the R.S. Means Data as noted above. Beginning July 1, 2008, the 2007 base value per licensed bed is used for all facilities, except facilities having completed a qualifying addition, replacement or major renovation. These qualifying facilities have that year's base value per licensed bed used in its FRV calculation until an additional qualifying addition, replacement or major renovation project is completed and reported, at which time the base value is updated again

# FRV for property

(ii) A nursing facility's annual FRV is calculated by multiplying the facility's newly calculated bed value times a rental factor. The rental factor is 9 percent.

(iii) The facility's annual FRV is divided by the greater of:

(A) the facility's annualized actual resident days during the cost reporting period; and

(B) for rural providers, 65 percent of the annualized licensed bed capacity of the facility and, for urban providers, 85 percent of the annualized licensed bed capacity of the facility.

(iv) The FRV per diem determined under this fair rental value system shall be no lower than \$8.

FRV for property

(c) A pass-through component of the rate is applied and is calculated as follows:

(i) The nursing facility's per diem real property tax and real property insurance cost is determined by dividing the sum of the facility's allowable real property tax and real property insurance costs, as reported in the most recent FCP or FRV Data Report, as applicable, by the facility's actual total resident days.

(ii) For a newly constructed facility that has not submitted an FCP or FRV Data Report, the per diem real property tax and real property insurance is the average daily real property tax and real property insurance cost of all facilities in the FRV calculation.

For examples of fair rental value calculations, please go to <https://medicaid.utah.gov/stplan/longtermcare/>.

FRV for property

The base line per diem rate for all residents in the facility consists of:

- 1) a Case Mix component (See Section 921),
- 2) a flat rate component (See Section 922), and
- 3) a property component (See Section 600).

## Rate Setting

Newly constructed or newly certified facilities' rates will be calculated as follows: Property component: For a newly constructed or newly certified facility that has not submitted an FCP or FRV Data Report, the per diem property tax and property insurance is the average daily property tax and property insurance cost of all facilities in the FRV calculation.

Case Mix rate component: Newly constructed or newly certified facilities' Case Mix component of the rate shall be paid using the average case mix index. This average rate shall remain in place for a new facility until such time as adequate MDS data exists for the facility, whereupon the provider's case mix index is established. At the following quarter's rate setting, the Department shall issue a new case mix adjusted rate.

Flat rate component: The flat rate component will be the same for all facilities.

An existing facility acquired by a new owner will continue at the same case mix index and property cost payment established for the facility under the previous ownership.

- (a) Subsequent quarter's case mix index will be established using the prior ownership facility MDS data combined with the new facility ownership MDS data.
- (b) The property component will be calculated for the facility at the beginning of the next SFY as noted in Section 634.

## New Facilities

Thank you!

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