

Memo

To: Non-State ICF/ID Providers
From: Steve Evitts, Bureau of Financial Management and Program Support
Date: September 16, 2019
Re: Waiver for Purchases between \$500 and \$5,000

In response to requests from providers, the threshold for capitalizing assets was raised from \$500 to \$5,000 via the November 19, 2018 memo from ODP Acting Deputy Secretary Kristin Ahrens which conveyed a waiver of the 55 PA. Code § 6211.4 definition application of depreciable assets threshold of \$500 and allows ICF/ID providers to depreciate assets over \$5,000.

As a result of this change provider's may have reduced bookkeeping efforts for purchases of items costing between \$500 and \$5,000 and are now recognizing the total expense in the year the purchase was made; however, approved funding remained unchanged. It was brought to our attention at a recent ICF Task Force meeting that the inconsistency between bookkeeping and funding could result in many additional waiver requests, thereby increasing the workload of both providers and ODP ICF staff. To avoid multiple individual waiver requests, ODP has devised a uniform methodology to be used by all non-State ICF providers:

For Fiscal Year 2019-2020, providers may submit a waiver request for capitalization policy change of items costing between \$500 and \$5,000 **in the amount of \$390* per licensed bed**. No individual purchase detail will be required for approval of this prescribed amount; simply include a copy of this memo. For your convenience, attached is a printout of the amount to be approved for your facilities. This prescribed amount should be requested once and is intended to remain in your approved funding for future years. Ultimately the capitalization change is just a timing difference; however, we realize there is an upfront unfunded cost to make the switch and it will be hard for depreciation funding to catch up as additional items are purchased. This waiver is therefore offered to assist providers and additional waiver requests for the \$500 to \$5,000 depreciable asset definition change will not be entertained.

* - ODP arrived at the \$390 per licensed bed as follows: Based on a review of ID-46 cost reports Schedule 6A, assets costing <\$5,000 were tallied for all ICF providers and averaged for 3 years (FY' 15-16 through FY' 17-18). The total difference between the cost and the 1st year depreciation was submitted as a budget request prior to the issuance of the 11/19/18 memo. The total that was included in the approved budget was then divided by the total ICF certified beds in order to equitably distribute the additional funding among all ICF providers.