

Magnuson, Michael

From: Doug Burr [dburr@cypresshealthcare.net]
Sent: Friday, July 31, 2009 3:12 PM
To: Isted, David; Magnuson, Michael
Cc: Russell, Stephen; Hudson, Michele; Williams, Phil; Snipes, Dyke; tmarshall@fhca.org; ebodo@fahsa.org
Subject: RE: Gross Fair Rental Model
Attachments: Age Calculator fair rental.xlsm

Issues to discuss:

1. The attached model compared the TOTAL current payment for property related costs (including the pass through amounts) to the alternative FRVS method. The alternative FRVS method only pays for the building, land and equipment. Therefore, the comparison should be between the non pass through portions of the current FRV system (80%/20%) and the alternative method being proposed.
2. The model needs to account for the renovations (of >\$500 per bed), replacement and/or expansions of facilities that have occurred over time in computing the age of the facility.
3. The parameters of the proposed system should be discussed to determine how best to align the desired incentives of the FVR system to achieve the policy outcomes. Should there be larger incentives to renovate/replace older facilities? Should there be a disincentive to renovate when cost of capital is high? Should there be an incentive to move toward the concepts of "culture change" when renovating or replacing?

Attached is a model that we have developed and worked on populating with historical actual renovation, expansion and replacement data. Perhaps we can discuss this version next week.

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From: Isted, David [mailto:istedd@ahca.myflorida.com]
Sent: Friday, July 31, 2009 12:37 PM
To: Magnuson, Michael
Cc: Russell, Stephen; Hudson, Michele; Williams, Phil; Snipes, Dyke; Doug Burr; tmarshall@fhca.org; ebodo@fahsa.org
Subject: Gross Fair Rental Model

The Gross Fair Rental model is attached. Feel free to review this and contact me with any questions on it. We will go over this in the Workgroup meeting on Tuesday.

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