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**From:** Lusk, Dan  
**Sent:** Wednesday, March 10, 2010 9:03 AM  
**To:** Cichos, Sue  
**Cc:** Hofer, Jerry (DHS); Hanson, John  
**Subject:** RE: Co. 2003 and 2034

Sue,

Funded depreciation is allowable and CMS strongly recommends this as a method to maintain, repair and replace depreciable assets. This is a way for us to leverage 100% federal dollars for this purpose. And, as mentioned, this funding is restricted for use at SDDC and HSC in support of the patients/individuals we serve. There is no federal regulation that requires the funding of depreciation accounts. I have attached the citations from the Code of Federal Regulations (CFR) for quick reference. The references are 42 CFR 413.134(e) and 42 CFR 413.134(e)(2)(i).

Feel free to contact/call me if there are further questions.

Dan

## Title 42--Public Health

### CHAPTER IV--CENTERS FOR MEDICARE & MEDICAID SERVICES, DEPARTMENT OF HEALTH AND HUMAN SERVICES

#### PART 413--PRINCIPLES OF REASONABLE COST REIMBURSEMENT

#### 413.134 Depreciation: Allowance for depreciation based on asset costs

(e) Funding of depreciation. Although funding of depreciation is not required, it is strongly recommended that providers use this mechanism as a means of conserving funds for replacement of depreciable assets. Funded depreciation account funds must be placed in readily marketable investments of the type that assures the availability and conservation of the funds. Additions to the funded depreciation account must remain in the account for at least 6 months to be considered valid funding transactions.

(2) Availability of funded depreciation. (i) CMS considers funded depreciation available for use in the acquisition or replacement of depreciable assets related to patient care unless the funded depreciation funds have been committed by contract for the acquisition of depreciable assets related to the furnishing of patient care or for other capital purposes related to patient care.

-----Original Message-----

**From:** Cichos, Sue  
**Sent:** Monday, March 08, 2010 4:24 PM  
**To:** Lusk, Dan  
**Cc:** Hofer, Jerry (DHS); Hanson, John  
**Subject:** RE: Co. 2003 and 2034  
**Importance:** High

**Dan I been asked for the following further information. THANKS!**

Sue - also, can you follow-up with Human Services and ask them to provide us with the federal regulation that requires facilities to fund Medicare depreciation accounts.