



State of New Jersey  
Department of Human Services  
Division of Medical Assistance and Health Services

# NEWSLETTER

Volume 6 No. 11

March 1996

**TO:** All Nursing Facility (NF) Providers

**SUBJECT:** Energy-Efficient Lighting System Incentive

**PURPOSE:** To inform nursing facilities that the Division of Medical Assistance and Health Services is promoting the use of energy-efficient lighting systems in nursing facilities, which are New Jersey Medicaid providers, through the recognition and reimbursement of the installation costs associated with energy-efficient lighting systems.

**BACKGROUND:** The Division of Medical Assistance and Health Services believes that the use of energy-efficient lighting systems within long-term care facilities has many benefits. Lower operating costs by reducing monthly utility bills, and by using new, more efficient equipment will allow providers to be more competitive and achieve greater savings. Newly improved color correct lamps can increase staff performance and enhance the quality of life for both the patients and their families. Reduced utility expenses will translate to Medicaid reimbursement savings for the State. Recognizing these advantages, the Division has developed an incentive program to help these goals become a reality.

The Division's Energy-Efficient Lighting System Incentive is a unique, voluntary program to encourage the use of energy-efficient lighting technologies within long-term care facilities throughout the State of New Jersey. The Division encourages all New Jersey nursing facilities to participate early in this current incentive as it will not be extended indefinitely. The Division or its successor reserves the right to terminate reimbursement in the event of change in the reimbursement methodology.

**ACTION:** Long-Term Care facilities wishing to take advantage of the Energy-Efficient Lighting System incentive should comply with the Division's following policy:

- The evaluation and installation of an Energy-Efficient Lighting System must be conducted by a non-related certified energy service company which specializes in conservation retrofitting.
- The installation cost of the lighting upgrade is the sole responsibility of the provider.

- The utility rebate direct from the utility company is to be kept by the provider.
- Medicaid reimbursement for the installation cost will be based upon a five-year amortization.
- Medicaid's allocated share of the amortized cost, including interest, will be an allowable cost reported as a special line item on Schedule A-3 (Non-Routine/Non-Allowable Expenses) of the cost report. The total project cost should be reported in the base year that the installation is completed.
- Only reasonable loan rates will be allowed. Reasonableness will be based on a comparison of average market rates for comparable loans.
- A copy of the final signed energy-efficient lighting agreement between the facility and the installation company must be provided with the cost study report. The agreement must include documentation which demonstrates fiscal savings for the Medicaid program, the date of project completion, the total project cost, the utility rebate amount, the total cost of the project after the rebate, and the estimated kilowatts (kw) per hour saved.
- The documentation of fiscal savings for the Medicaid program must be demonstrated within the context of the five-year amortization period and must be evaluated against the full project cost, including interest, net of any rebates.
- Installation costs will be closely reviewed for their general reasonableness and appropriateness. The total allowable price per facility shall be based on the estimated cost per kw reduced. Cost per kw reduced shall be calculated by dividing the total job cost by the estimated demand savings (kw) as audited by a qualified and licensed installation company.

Participating facilities will receive reimbursement through a prospective per diem rate add-on over a five-year period following the base year installation and cost study reporting. The Division or its successor reserves the right to terminate reimbursement in the event of a change in the reimbursement methodology.

- This provision shall be prospective in nature. Facilities which have completed such a project in the 1995 cost report base year are able to report project expenses. Facilities which have completed such a project prior to the 1995 cost report base year are not eligible for reimbursement.

Any concerns that an interested party may have should be brought to the attention of the Division of Medical Assistance and Health Services, the Office of Nursing Facility Reimbursement, CN 712, Trenton, NJ 08625.

If you have any questions regarding this Newsletter, please contact Felix Almanzor, Administrator, Office of Nursing Facility Reimbursement, New Jersey Medicaid at (609) 588-2691.

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