



STATE OF NEW YORK  
OFFICE OF THE MEDICAID INSPECTOR GENERAL  
250 Veterans Memorial Highway, Room 4A12  
Hauppauge, New York 11788

ANDREW M. CUOMO  
GOVERNOR

JAMES C. COX  
MEDICAID INSPECTOR GENERAL

August 1, 2014

[REDACTED]  
Our Lady of Consolation Geriatric Care Center  
111 Beach Drive  
West Islip, New York 11795

Re: Medicaid Rate Audit #11-3753  
NPI Number: [REDACTED]  
Provider Number: [REDACTED]

Dear [REDACTED]

Enclosed is the final audit report of the Office of the Medicaid Inspector General's (the "OMIG") audit of Our Lady of Consolation Geriatric Care Center's (the "Facility") Medicaid rates for the rate period January 1, 2006 through December 31, 2008. In accordance with 18 NYCRR Section 517.6, this report represents the OMIG's final determination on issues raised in the draft audit report.

Since you did not respond to our draft audit report dated May 6, 2014, the findings in the final audit report remain identical to the draft audit report. As previously stated in the draft audit report, the Medicare Part B and D offsets were not within the scope of the review and may be examined as part of a future audit. Based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is \$1,054,884. This overpayment is subject to Department of Health ("DOH") and Division of Budget ("DOB") final approval. While not anticipated, any difference between the calculated overpayment and the final DOH and DOB approved amount will be resolved with the Facility by the OMIG Bureau of Collections Management.

In accordance with 18 NYCRR Part 518 which regulates the collection of overpayments, your repayment options are described below.

**OPTION #1:** Make full payment by check or money order within 20 days of the date of the final audit report. The check should be made payable to the New York State Department of Health and be sent with the attached Remittance Advice to:

[REDACTED]  
New York State Department of Health  
Medicaid Financial Management  
GNARESP Corning Tower, Room 2739  
File #11-3753  
Albany, New York 12237-0048

**OPTION #2:** Enter into a repayment agreement with the Office of the Medicaid Inspector General. If your repayment terms exceed 90 days from the date of the final audit report, recoveries of amounts due are subject to interest charges at the prime rate plus 2%. If the process of establishing the repayment agreement exceeds 20 days from the date of the final audit report, the OMIG will impose a 50% withhold after 20 days until an agreement is established. OMIG acceptance of the repayment agreement is based on your repaying the Medicaid overpayment as agreed. The OMIG will adjust the rate of recovery, or require payment in full, if your unpaid balance is not being repaid as agreed. In addition, if you receive an adjustment in your favor while you owe funds to the State, such adjustment will be applied against any amount owed. If you wish to enter into a repayment agreement, please contact the Bureau of Collections Management within 20 days at the following:

Bureau of Collections Management  
New York State Office of the Medicaid Inspector General  
800 North Pearl Street  
Albany, New York 12204

[REDACTED]

You have the right to challenge this action and determination by requesting an administrative hearing within sixty (60) days of the date of this notice. You may not request a hearing to raise issues related to rate setting or rate setting methodology. In addition, you may not raise any issue that was raised or could have been raised at a rate appeal with your rate setting agency. You may only request a hearing to challenge specific audit adjustments which you challenged in a response to the draft audit report.

If you wish to request a hearing, the request must be submitted in writing to:

General Counsel  
Office of Counsel  
New York State Office of the Medicaid Inspector General  
800 North Pearl Street  
Albany, New York 12204

Questions regarding the request for a hearing should be directed to the Office of Counsel at [REDACTED]

If a hearing is held, you may have a person represent you or you may represent yourself. If you choose to be represented by someone other than an attorney, you must supply a signed authorization permitting that person to represent you along with your hearing request. At the hearing, you may call witnesses and present documentary evidence on your behalf.

Should you have any questions, please contact [REDACTED] or through email at [REDACTED]. Please refer to audit number 11-3753 in all correspondence.

Sincerely,

[REDACTED]  
Bureau of Rate Audit  
Division of Medicaid Audit  
Office of the Medicaid Inspector General

Enclosures

- EXHIBIT I - Summary of Per Diem Impact and Medicaid Overpayment
- EXHIBIT II - Summary of Medicaid Rates Audited
- EXHIBIT III - Property Expense Disallowances/(Allowances)

CERTIFIED MAIL [REDACTED]  
RETURN RECEIPT REQUESTED

**NEW YORK STATE  
OFFICE OF THE MEDICAID INSPECTOR GENERAL  
REMITTANCE ADVICE**

**NAME AND ADDRESS OF AUDITEE**

Our Lady of Consolation Geriatric  
Care Center  
111 Beach Drive  
West Islip, New York 11795

NPI #: [REDACTED]  
PROVIDER #: [REDACTED]

AUDIT #11-3753

AMOUNT DUE: \$1,054,884

AUDIT	<input type="checkbox"/>	PROVIDER
TYPE	<input checked="" type="checkbox"/>	RATE
	<input type="checkbox"/>	PART B
	<input type="checkbox"/>	OTHER:

**CHECKLIST**

1. To ensure proper credit, please enclose this form with your check.
2. Make checks payable to: *New York State Department of Health*
3. Record the Audit Number on your check.
4. Mail check to:

[REDACTED]  
New York State Department of Health  
Medicaid Financial Management  
GNARESP Corning Tower, Room 2739  
File #11-3753  
Albany, New York 12237-0048

5. If the provider number shown above is incorrect, please enter the correct number below.

[REDACTED]  
CORRECT PROVIDER NUMBER

**OUR LADY OF CONSOLATION GERIATRIC CARE CENTER - AUDIT #11-3753****RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008****SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT**

<u>RATE PERIOD</u>	<u>ISSUED PART B &amp; D NON-ELIGIBLE RATES*</u>	<u>FINAL PART B &amp; D NON-ELIGIBLE RATES</u>	<u>RATE DECREASE (INCREASE)</u>	<u>MEDICAID DAYS</u>	<u>MEDICAID OVERPAYMENT</u>
01/01/06 - 01/31/06	\$254.26	\$250.67	\$3.59	10,557	\$ 37,900
02/01/06 - 03/31/06	256.37	252.78	3.59	19,912	71,484
04/01/06 - 04/30/06	255.82	252.23	3.59	10,147	36,428
05/01/06 - 07/31/06	254.01	250.42	3.59	30,922	111,010
08/01/06 - 10/31/06	254.72	251.13	3.59	30,808	110,601
11/01/06 - 12/31/06	258.04	254.45	3.59	19,990	71,764
01/01/07 - 03/31/07	273.82	271.52	2.30	29,750	68,425
04/01/07 - 06/30/07	272.39	270.09	2.30	30,387	69,890
07/01/07 - 08/31/07	269.15	266.85	2.30	21,443	49,319
09/01/07 - 12/31/07	269.15	266.85	2.30	41,029	94,367
01/01/08 - 03/31/08	276.12	273.29	2.83	29,881	84,563
04/01/08 - 06/30/08	271.26	268.43	2.83	29,512	83,519
07/01/08 - 12/31/08	276.46	273.63	2.83	58,521	165,614
<b>TOTAL MEDICAID OVERPAYMENT</b>					<b><u>\$ 1,054,884</u></b>

\* Any differences between these rates and the rates listed in Exhibit II of this audit report represent rate changes made subsequent to OMIG's audit. These changes remain open to future audit by the OMIG. For the purpose of this Exhibit, the Medicare Part B and D rates are not shown. The rate decrease/(increase) for those rates is the same as shown for the Medicare Part B and D non-eligible rates above.

**OUR LADY OF CONSOLATION GERIATRIC CARE CENTER - AUDIT #11-3753****RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008****SUMMARY OF MEDICAID RATES AUDITED**

The Facility's Medicaid utilization was approximately 76 percent for the period under audit and the Medicaid per diem rates audited are shown below. Any differences between these rates and the "Issued Rates" listed in Exhibit I of this audit report represent rate changes made subsequent to our audit. These changes remain open to future audit by the OMIG.

<b><u>RATE PERIOD</u></b>	<b><u>ISSUED MEDICARE PART B &amp; D NON-ELIGIBLE RATES *</u></b>
01/01/06 - 01/31/06	\$ 254.26
02/01/06 - 03/31/06	256.37
04/01/06 - 04/30/06	255.82
05/01/06 - 07/31/06	254.01
08/01/06 - 10/31/06	254.72
11/01/06 - 12/31/06	258.04
01/01/07 - 03/31/07	273.82
04/01/07 - 06/30/07	272.39
07/01/07 - 12/31/07	269.15
01/01/08 - 03/31/08	276.12
04/01/08 - 06/30/08	271.26
07/01/08 - 12/31/08	276.46

\* The Medicare Part B and D rates are not shown for the purpose of this Exhibit. The Medicare Part B and D offsets were not within the scope of this audit and may be examined as part of a future audit.

**OUR LADY OF CONSOLATION GERIATRIC CARE CENTER - AUDIT #11-3753**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE- BACK %	RATE PERIODS		
					2006	2007	2008
<b>Property Expense Allowed per HE-12B</b>					\$ 3,334,724	\$ 3,355,256	\$ 3,461,621
<b>Less Disallowances/(Allowances):</b>							
<b>1. BUILDING/FIXED EQUIPMENT DEPRECIATION DISALLOWANCE</b>							
The Facility incorrectly capitalized costs that should have been expensed as operating costs because they were for repairs or supplies. These expenditures should have been expensed in accordance with generally accepted accounting principles and the guidelines and definitions included in the RHCFC Accounting and Reporting Manual. Accordingly, the depreciation expense applicable to these costs was disallowed.	Bldg. Depr.	001	3,711	98.69%		3,663	
<b>Regulations: 10 NYCRR Sections 86-2.4, 451.168, 451.181, &amp; 451.230, RHCFC Accounting and Reporting Manual</b>	Bldg. Depr.	001	9,440	98.67%			9,314
<b>2. MORTGAGE INTEREST DISALLOWANCE</b>							
According to the Bureau of Long Term Care Reimbursement (BLTCR) capital cost methodology, mortgage interest expense is reimbursed on a rate year basis. Audited rate year interest expense varied from the mortgage interest allowed in the promulgated rates resulting in disallowances.	Mort. Int.	003	54,200	94.21%	51,062		
<b>Regulation: 10 NYCRR Section 86-2.20(a)</b>	Mort. Int.	003	148,288	98.69%		146,345	
	Mort. Int.	003	184,053	98.67%			181,605
<b>3. MOVABLE EQUIPMENT DEPRECIATION DISALLOWANCES</b>							
a) The Facility incorrectly capitalized costs that should have been expensed as operating costs because they were for repairs, supplies, maintenance contracts, or other operating expenses. These expenditures should have been expensed in accordance with generally accepted accounting principles and the guidelines and definitions included in the RHCFC Accounting and Reporting Manual. Accordingly, the depreciation expense applicable to these costs was disallowed.	ME Depr.	002	1,682	94.21%	1,585		
<b>Regulations: 10 NYCRR Sections 86-2.4, 451.168, 451.181, &amp; 451.230, RHCFC Accounting and Reporting Manual</b>	ME Depr.	002	3,150	98.69%		3,109	
	ME Depr.	002	58,234	98.67%			57,460
b) In accordance with the BLTCR methodology, depreciation on capitalized lease equipment is not a reimbursable cost. In lieu of depreciation and interest on capitalized assets, the provider is reimbursed actual lease payments. Lease payments were properly allowed in the promulgated rates. Consequently, it was necessary to disallow movable equipment depreciation applicable to the capitalized lease.	ME Depr.	002	46,583	98.69%		45,973	
<b>Regulations: 10 NYCRR Sections 86-2.17(d) &amp; 86-2.22</b>	ME Depr.	002	46,583	98.67%			45,963

**OUR LADY OF CONSOLATION GERIATRIC CARE CENTER - AUDIT #11-3753**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE- BACK %	RATE PERIODS		
					2006	2007	2008
<b>4. MOVABLE EQUIPMENT RENTAL DISALLOWANCES</b>							
a) Providers receiving payment on the basis of reimbursable costs are required to provide adequate cost data based on financial and statistical records that can be verified on audit. The cost information must be current, accurate, and in sufficient detail. Since the Facility did not fully document reported movable equipment rental expenses, disallowances were necessary. <b>Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 &amp; 2304</b>	Rent B	022	8,844	98.01%	8,668		
	Rent G	005	2,887	91.14%	2,631		
	Rent I	004	8,205	91.14%	7,478		
	Rent E	022	7,882	100.00%		7,882	
	Rent B	005	1,227	95.46%			1,171
	Rent F	022	4,974	100.00%			4,974
	Rent H	039	274	100.00%			274
	Rent I	040	6,293	100.00%			6,293
	Rent J	051	4,272	100.00%			4,272
b) The Facility reported various expenses in rent expense that were operating in nature. These types of expenses are not includable in property costs. Consequently, these expenses were disallowed from the capital component of the rate. <b>Regulations: 10 NYCRR Sections 86-2.17(a) &amp; 455.6, PRM-1 Section 2806.2</b>	Rent D	035	1,224	30.00%	367		
	Rent J	002	1,061	94.21%	1,000		
	Rent A	002	1,061	98.69%		1,047	
	Rent F	035	2,282	100.00%		2,282	
	Rent G	039	266	100.00%		266	
	Rent H	051	5,008	100.00%		5,008	
	Rent A	002	1,061	98.67%			1,047
	Rent B	005	1,621	95.46%			1,548
	Rent G	035	3,656	100.00%			3,656
c) The laundry and linen service expense center should be charged with all the direct expense incurred in providing laundry and linen services for nursing home use. Consequently, all appropriate laundry and linen expenditures should be reported with the laundry and linen operating expense category. Linen rental expenses are considered an operating expense and were disallowed. <b>Regulations: 10 NYCRR Sections 86-2.3, 86-2.10(g), 86-2.17(a), 454.1, 455, &amp; 455.9, PRM-1 Section 2806.3</b>	Rent H	009	128,714	97.99%	126,127		
	Rent C	009	92,450	100.00%		92,450	
	Rent C	009	99,256	100.00%			99,256
d) Movable equipment rent (Rent I) was included twice in the 2006 promulgated rates. The duplicate reimbursement was disallowed. <b>Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 &amp; 2304</b>	Rent I	004	267,869	91.14%	244,136		
e) The Facility reported various expenses that were 100% related to the Long-Term Home Health Care program and not properly chargeable to the nursing home patient care. Consequently, these amounts were disallowed. <b>Regulations: 10 NYCRR Sections 86-2.17(a) &amp; (d), RHCF Accounting and Reporting Manual, PRM-1 Section 2102.2</b>	Rent I	051	22,504	100.00%		22,504	

**OUR LADY OF CONSOLATION GERIATRIC CARE CENTER - AUDIT #11-3753**  
**RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS		
					2006	2007	2008
<b>5. AUTO INSURANCE DISALLOWANCE</b>							
Providers are required to provide adequate cost data that can be verified. Additionally, only costs that are properly chargeable to necessary patient care are allowable. The Facility was unable to provide documentation or demonstrate the relationship to patient care for reported auto insurance. Consequently, disallowances were necessary.	Auto Ins.	022	9,100	98.01%	8,919		
	Auto Ins.	022	8,991	100.00%		8,991	
	Auto Ins.	041	8,769	100.00%			8,769
<b>Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3, 2105.9, &amp; 2300</b>							
<b>6. MORTGAGE INSURANCE EXPENSE DISALLOWANCES</b>							
a) Providers who receive payments on the basis of reimbursable cost must provide adequate cost data based on financial and statistical records that can be verified on audit. The Facility did not provide adequate documentation to substantiate reported mortgage insurance expense, resulting in disallowances.	Mort. Ins.	005	27,992	95.42%		26,710	
	Mort. Ins.	005	27,709	95.46%			26,451
<b>Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 &amp; 2304</b>							
b) Costs are to be reduced by the cost of services which are not properly chargeable to patient care. The Facility received a mortgage insurance refund that was not offset against expense. Since refunds reduce the Facility's actual expense incurred, they are considered a recovery of expense. Mortgage insurance expense was reduced by the amount of the refund.	Mort. Ins.	005	72,663	91.14%	66,225		
<b>Regulations: 10 NYCRR Sections 86-2.17(a) &amp; 86-2.18, PRM-1 Section 804</b>							
<b>7. WORKING CAPITAL INTEREST EXPENSE DISALLOWANCE</b>							
Providers receiving payment on the basis of reimbursable costs are required to provide adequate cost data based on financial and statistical records that can be verified on audit. Furthermore, the cost information must be current, accurate, and in sufficient detail. The Facility did not adequately substantiate reported working capital interest expense. Consequently, a disallowance was necessary.	W/C Int.	005	60,750	91.14%	55,368		
<b>Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 &amp; 2304</b>							

Property Expense Disallowances/(Allowances)

TOTAL AUDITED PROPERTY EXPENSE

\$ 573,566	\$ 366,230	\$ 452,053
<b>\$ 2,761,158</b>	<b>\$ 2,989,026</b>	<b>\$ 3,009,568</b>