



STATE OF NEW YORK  
OFFICE OF THE MEDICAID INSPECTOR GENERAL  
259 Monroe Avenue, Room 312  
Rochester, New York 14607

ANDREW M. CUOMO  
GOVERNOR

JAMES C. COX  
MEDICAID INSPECTOR GENERAL

December 10, 2014

[REDACTED]  
Genesee County [REDACTED]  
7 Main Street  
Batavia, New York 14020

Re: Medicaid Rate Audit #12-3785  
NPI Number: [REDACTED]  
Provider Number: [REDACTED]  
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 Genesee County Nursing Home's Medicaid rates for the rate period January 1, 2007 through December 31, 2008. In accordance with 18 NYCRR Section 517.6, this audit report represents the OMIG's final determination on issues raised in the draft audit report.

In response to the draft audit report dated July 17, 2014, you identified specific audit findings with which you disagreed. Your comments have been considered (see Attachment A) and the report has been either revised accordingly and/or amended to address your comments (see Attachment B). Consideration of your comments resulted in an overall reduction of \$3,050 to the total Medicaid overpayment shown in 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. The Medicaid overpayment associated with OMIG adjustments was \$75,100. However, this audit also processed Bureau of Long Term Care Reimbursement appeals that resulted in an amount due the Facility of \$8,363. Consequently, based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is \$66,737. 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 #12-3785  
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 me at [REDACTED] or through email at [REDACTED]. Please refer to audit number 12-3785 in all correspondence.

Sincerely,

[REDACTED]

Bureau of Rate Audit  
Division of Medicaid Audit  
Office of the Medicaid Inspector General

cc [REDACTED]

- Attachments:
- ATTACHMENT A- Facility Draft Report Comments and OMIG Responses
  - ATTACHMENT B- Summary of Changes from Draft Report to Final Report
  - EXHIBIT I- Summary of Per Diem Impact and Medicaid Overpayment
  - EXHIBIT II- Summary of Medicaid Rates Audited
  - EXHIBIT III- Property Expense Disallowances/(Allowances)

Enclosure

CERTIFIED MAIL [REDACTED]  
RETURN RECEIPT REQUESTED

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

**NAME AND ADDRESS OF AUDITEE**

Genesee County Nursing Home  
278 Bank Street  
Batavia, New York 14020

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

AUDIT #12-3785

AMOUNT DUE: \$66,737

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 #12-3785  
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

**GENESEE COUNTY NURSING HOME - AUDIT #12-3785  
FACILITY DRAFT REPORT COMMENTS AND OMIG RESPONSE**

All OMIG adjustments were accepted by the Facility except for those shown below. The following details the disposition of final report adjustments after consideration of the Facility's draft audit report response comments. See Attachment B for adjustment changes included in the final audit report.

**EXHIBIT III COMMENTS – PROPERTY EXPENSE DISALLOWANCES**

**Adjustment #6(b) – Property Insurance Disallowances**

**Facility Comment**

The Facility stated that the disallowed insurance agency fees were necessary in order to obtain insurance coverage at significant savings to the nursing home and Genesee County. (Note: The Facility attached various documents to the response to support their assertions.)

**OMIG Response**

Further review of the insurance policies and the submitted documentation indicated that the agency fees were allowable. However, the reported fees were applicable to both the nursing home's operating and property insurance policies. Since just the property insurance policies were covered in this audit, only the agency fees applicable to the property insurance policies were allowable. Therefore, the fees were allocated to the various policies based on their premiums, and the amounts applicable to the property insurance policies were allowed per audit. The remaining fees associated with the operating insurance policies were disallowed in the final audit report.

**Disposition: The draft audit report disallowances were reduced to reflect the allowance of agency fees associated with the property insurance policies.**

GENESEE COUNTY NURSING HOME - AUDIT #12-3785

## SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT

				Draft Report Disallowance		Final Report Disallowance
		COST	Rate			
<u>DESCRIPTION</u>	<u>CTR</u>	<u>CTR</u>	<u>Period</u>	<u>(Allowance)</u>	<u>Change</u>	<u>(Allowance)</u>
<u>EXHIBIT IV - PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)</u>						
6(b) PROPERTY INSURANCE	Prop. Insur.	005	2007	5,500	(3,241)	2,259
DISALLOWANCE	Prop. Insur.	005	2008	5,500	(2,849)	2,651

Note: The adjustments shown above only reflect those adjustments that were revised as a result of the Facility's response. All other adjustments remain the same as shown in the draft audit report.

**GENESEE COUNTY NURSING HOME - AUDIT #12-3785**  
**RATE PERIODS JANUARY 1, 2007 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>
01/01/07 - 03/31/07	\$169.23	\$169.01	\$0.22	11,258	\$ 2,477
04/01/07 - 12/31/07	168.35	168.13	0.22	32,758	7,207
01/01/08 - 03/31/08	174.00	172.68	1.32	10,690	14,111
04/01/08 - 12/31/08	172.86	171.54	1.32	32,532	<u>42,942</u>
<b>TOTAL MEDICAID OVERPAYMENT</b>					<b><u>\$ 66,737</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.

NOTE: Of the total Medicaid impact listed above, the impact associated with the processing of Bureau of Long Term Care open appeals is \$8,363 due the Facility.

**GENESEE COUNTY NURSING HOME - AUDIT #12-3785**  
**RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008**  
**SUMMARY OF MEDICAID RATES AUDITED**

The Facility's Medicaid utilization was approximately 80 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.

<u>RATE PERIOD</u>	<u>ISSUED MEDICARE PART B &amp; D NON-ELIGIBLE RATES *</u>
01/01/07 - 03/31/07	\$ 169.71
04/01/07 - 12/31/07	168.83
01/01/08 - 03/31/08	174.49
04/01/08 - 12/31/08	173.34

\* 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.

**GENESEE COUNTY NURSING HOME - AUDIT #12-3785**  
**RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE- BACK %	RATE PERIODS	
				2007	2008
Property Expense Allowed per HE-12B				\$ 981,538	\$ 983,119
Less Disallowances/(Allowances):					

Disallowances/(Allowances) Related to Processing of Bureau of Long Term Care (BLTCR) Open Appeals

**1. ALLOWANCE OF ALLOCATED DEPRECIATION**

In 2005, the Facility reported depreciation expense allocated from Genesee County which was not reimbursed. The Facility requested reimbursement in a "hotline" appeal, but the 2007 rates were not revised to include this depreciation.. On audit the OMIG allowed the county allocated depreciation expense. This allowance is contingent upon the Facility's written withdrawal of this item from appeal #819606.The Facility withdrew this item from the appeal in correspondence dated August 27,2014.

Other	000	(15,760)	67.94%	(10,707)	
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BLTCR Open Appeals Disallowances/(Allowances)  
 Subtotal Property Expense

\$ (10,707)	\$ -
\$ 992,245	\$ 983,119

Other OMIG Audit Disallowances/(Allowances)

**2. TELEPHONE DEPRECIATION DISALLOWANCE**

The Bureau of Long Term Care Reimbursement (BLTCR) has determined the nature of telephone expense to be an operating expense. Since the expense is included in the formula to determine the base, mean, and celling prices used to establish the indirect expense corridor, the reimbursement of telephone depreciation expense in the property component amounts to duplicate reimbursement. Therefore, this depreciation was disallowed..

**Regulations: 10 NYCRR Sections 86-2.17(a)&(d), BLTCR Rate Methodology**

Bldg. Depr.	001	2,580	67.98%	1,754	
Bldg. Depr.	001	2,580	68.14%		1,758

**3. BUILDING DEPRECIATION DISALLOWANCE**

Depreciation on project costs that were not approved by the Department of Health are not allowable for reimbursement. Reported building costs included \$215,955 in costs that were not approved as part of project #002236. Therefore, the depreciation expense associated with these unapproved costs were disallowed in each rate period.

**Regulations: 10 NYCRR Sections 86-2.19(a) and 710.6**

Bldg. Depr.	001	8,655	67.98%	5,884	
Bldg. Depr.	001	8,655	68.14%		5,898

**GENESEE COUNTY NURSING HOME - AUDIT #12-3785**  
**RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

	<u>DESCRIPTION</u>	<u>COST</u> <u>CTR.</u>	<u>DISALLOWED</u> <u>(ALLOWED)</u>	<u>TRACE-</u> <u>BACK %</u>	<u>RATE PERIODS</u>	
					<u>2007</u>	<u>2008</u>
<b>4. MORTGAGE INTEREST EXPENSE DISALLOWANCES</b>						
According to BLTCR capital cost methodology, mortgage interest expense is reimbursed on a rate year basis. Audited rate year interest expenses were less than the reimbursed mortgage interest expenses. Therefore, the differences were disallowed. <b>Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Section 2300</b>	Interest	003	10,118	67.98%	6,878	
	Interest	003	10,627	68.14%		7,241
<b>5. INTEREST INCOME OFFSET</b>						
Allowable Interest expense shall be reduced by investment income with the exception of income earned from funded depreciation accounts and certain restricted funds. The OMIG determined the Facility had additional unrestricted investment income in excess of the amounts offset in the promulgated rates. Consequently, the additional investment income was offset in each rate period. <b>Regulations: 10 NYCRR Sections 86-2.17(a) and 86-2.20(c), PRM-1 Section 202.2(C)</b>	Income Offset	003	9,105	67.98%	6,190	
	Income Offset	003	73,981	68.14%		50,411
<b>6. PROPERTY INSURANCE DISALLOWANCES</b>						
a) Insurance attributable to crime coverage is considered an operating expense and should not be included in property insurance expense. Therefore, this amount was disallowed. <b>Regulations: 10 NYCRR Sections 86-2.10(g) and 86-2.17(a), PRM-1 Section 2161, RHCF-4 Cost Report Instructions</b>	Prop. Insur.	005	751	71.64%	538	
b) It could not be determined if agency fees paid to the insurance broker were necessary or related to the operation of the nursing home. Therefore, these amounts were disallowed. Note that these disallowances were revised in this final audit report as specified in Attachments A & B. <b>Regulations: 10 NYCRR Sections 86-2.17(a)&amp;(d), PRM-1 Sections 2100 &amp; 2102</b>	Prop. Insur.	005	2,651	71.64%	1,899	
	Prop. Insur.	005	2,259	70.50%		1,593
c) A portion of the property insurance reported in 2006 could not be substantiated. Therefore, the unsubstantiated amount was disallowed. <b>Regulations: 10 NYCRR Sections 86-2.17(a)&amp;(d), PRM-1 Section 2300</b>	Prop. Insur.	005	11,125	70.50%		7,843
<b>Other OMIG Property Expense Disallowances/(Allowances)</b>					\$ 23,143	\$ 74,744
<b>TOTAL AUDITED PROPERTY EXPENSE</b>					<u>\$ 969,102</u>	<u>\$ 908,375</u>