



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

December 30, 2014

[REDACTED]
Grace Plaza Nursing and Rehabilitation Center
15 Saint Paul's Place
Great Neck, New York 11021

Re: Medicaid Rate Audit #13-2130
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 Grace Plaza Nursing and Rehabilitation Center's (the "Facility") Medicaid rates for the rate period January 1, 2008 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 September 2, 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. The Medicaid overpayment associated with OMIG adjustments was \$42,448. However, this audit also processed Bureau of Long Term Care appeals that resulted in an amount due the Facility of \$170,206. Consequently, based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid underpayment currently due the Facility is \$127,758. This underpayment is subject to Department of Health ("DOH") and Division of Budget ("DOB") final approval. While not anticipated, any difference between the calculated underpayment and the final DOH and DOB approved amount will be resolved with the Facility by the OMIG Bureau of Collections Management.

Arrangements for crediting the Facility for the amount of the underpayment will be made by the OMIG Bureau of Collections Management. Should you have any questions, please contact them at:

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 13-2130 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/(Underpayment)
- EXHIBIT II - Summary of Medicaid Rates Audited
- EXHIBIT III - Property Expense Disallowances/(Allowances)
- EXHIBIT IV - Return on and Return of Real Property Equity Disallowances/(Allowances)
- EXHIBIT V - Return on Average Equity Disallowances/(Allowances)

CERTIFIED MAIL [REDACTED]
RETURN RECEIPT REQUESTED

GRACE PLAZA NURSING AND REHABILITATION CENTER - AUDIT #13-2130
RATE PERIODS JANUARY 1, 2008 THROUGH DECEMBER 31, 2008
SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT/(UNDERPAYMENT)

<u>RATE PERIOD</u>	<u>ISSUED PART B & D NON-ELIGIBLE RATES*</u>	<u>FINAL PART B & D NON-ELIGIBLE RATES</u>	<u>RATE DECREASE (INCREASE)</u>	<u>MEDICAID DAYS</u>	<u>MEDICAID OVERPAYMENT (UNDERPAYMENT)</u>
01/01/08 - 03/31/08	\$280.34	\$283.44	(\$3.10)	9,396	\$ (29,128)
04/01/08 - 06/30/08	277.04	280.14	(3.10)	9,846	(30,523)
07/01/08 - 12/31/08	279.42	282.52	(3.10)	21,970	<u>(68,107)</u>
TOTAL MEDICAID OVERPAYMENT/(UNDERPAYMENT)					<u>\$ (127,758)</u>

* 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 \$(170,206) due the Facility.

GRACE PLAZA NURSING AND REHABILITATION CENTER - AUDIT #13-2130
RATE PERIODS JANUARY 1, 2008 THROUGH DECEMBER 31, 2008
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 56 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 & D NON-ELIGIBLE RATES *</u>
01/01/08 - 03/31/08	\$ 280.34
04/01/08 - 06/30/08	277.04
07/01/08 - 12/31/08	279.42

* 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.

GRACE PLAZA NURSING AND REHABILITATION CENTER - AUDIT #13-2130
RATE PERIODS JANUARY 1, 2008 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	<u>DESCRIPTION</u>	<u>COST CTR.</u>	<u>RATE PERIOD 2008</u>
Property Expense Allowed per HE-12B			<u>\$ 2,071,859</u>
Less Disallowances/(Allowances):			

**Disallowance/(Allowance) Related to Processing of Bureau of
Long Term Care (BLTCR) Open Appeal**

1. RETURN ON AND RETURN OF REAL PROPERTY EQUITY ADJUSTMENTS

The real property historical cost accumulated reimbursement was adjusted to reflect audited amounts. In addition, the remaining useful life used to compute the audited return of equity was changed from six years to four years. These changes resulted in adjustments to the return on and return of equity. See Exhibit IV for details. The Facility, in a letter dated September 19, 2014, rescinded outstanding appeal #12993 filed with BLTCR.

Ret. On Eq.	003	36,874
Ret. Of Eq.	001	(337,433)

Regulation: 10 NYCRR Section 86-2.21

BLTCR Open Appeals Disallowance/(Allowance)
Subtotal Property Expense

<u>\$ (300,559)</u>
<u>\$ 2,372,418</u>

Other OMIG Audit Disallowances/(Allowances)

2. DISALLOWANCE OF EXCESS DEPRECIATION EXPENSE

In rate year 2008, the Facility received depreciation expense on certain assets that were previously fully reimbursed by the Medicaid program. The excess depreciation was disallowed.

ME Depr.	002	19,552
----------	-----	--------

Regulations: 10 NYCRR Sections 86-2.17(a) & 86-2.22

GRACE PLAZA NURSING AND REHABILITATION CENTER - AUDIT #13-2130
RATE PERIODS JANUARY 1, 2008 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	<u>DESCRIPTION</u>	<u>COST CTR.</u>	<u>RATE PERIOD 2008</u>
3. RENTAL EXPENSE DISALLOWANCES			
a) Costs not related to patient care are costs that are not appropriate or necessary in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. Costs pertaining to an automobile used for personal use by the owner are not related to patient care and were disallowed. Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2102.3 & 2105.9	Rent C	006	2,652
b) Rental expenses associated with supplies are considered operating expenses and should not be included in the property component of the rate. Reported rental expenses for oxygen concentrators included amounts for oxygen. Oxygen is considered an operating expenditure. Disallowances were necessary to remove these expenses. Regulations: 10 NYCRR Sections 86-2.10(g), 86.2.17(a), 455.35, & 458.5	Rent D	043	14,129
c) Facilities receiving payment on the basis of reimbursable costs must provide adequate cost data based on financial and statistical records that can be verified on audit. In addition, the cost data is required to be current, accurate, and in sufficient detail. Equipment rental expense determined per audit varied from the expenses allowed in the promulgated rates resulting in a disallowance. Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2300 & 2304	Rent B	004	1,439
4. RETURN ON AVERAGE EQUITY EXPENSE DISALLOWANCE			
A proprietary residential health care facility is entitled to a reasonable return on average equity capital for equity associated with necessary and proper patient care activities. The facility's average equity included an amount for leasehold improvements (LHI) not recognized as reimburseable for Medicaid. The average equity was recomputed based upon the elimination of the LHI, which resulted in a disallowance to the return on average equity. See Exhibit V for details. Regulation: 10 NYCRR Section 86-2.28	Ret on Av. Eq.	003	3,071

GRACE PLAZA NURSING AND REHABILITATION CENTER - AUDIT #13-2130
RATE PERIODS JANUARY 1, 2008 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	<u>DESCRIPTION</u>	<u>COST CTR.</u>	<u>RATE PERIOD 2008</u>
5. SALES TAX DISALLOWANCES			
a) Costs not related to patient care are costs that are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities and activities. Only costs properly chargeable to necessary patient care are allowable. The audit disclosed that reported sales tax expense included sales tax on non-allowable advertising costs. Such expenses are not related to patient care. Consequently, the expenses were disallowed. Regulations: 10 NYCRR Sections 86-2.17(a) & (h), PRM-1 Section 2136.2	Sales Tax	005	3,063
b) Providers receiving payment on the basis of reimbursable costs must provide adequate cost data based on financial and statistical records that can be verified on audit. In addition, the cost data is required to be current, accurate, and in sufficient detail. The Facility was unable to provide documentation to support reported sales tax on certain supplies. Consequently, disallowances were necessary. Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304	Sales Tax	005	7,889
c) Certain products are exempt from New York State sales tax. Laundry is one of those products. In the 2008 sales tax calculation provided, laundry sales tax amounts were included. In addition, other products that did not have sales tax charged were also included in the reported amounts. Consequently, disallowances were necessary. Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Section 2122.2(D)	Sales Tax	005	23,102
Total Disallowances/(Allowances)			<u>\$ (225,662)</u>
TOTAL AUDITED PROPERTY EXPENSE			<u><u>\$ 2,297,521</u></u>

GRACE PLAZA NURSING AND REHABILITATION CENTER - AUDIT #13-2130**RATE PERIODS JANUARY 1, 2008 THROUGH DECEMBER 31, 2008****RETURN ON AND RETURN OF REAL PROPERTY EQUITY DISALLOWANCES/(ALLOWANCES)**

	RATE PERIOD <u>2008</u>
<u>Return of Equity Calculation</u>	
Real Property Historical Cost per HE-12B	\$ 10,230,297
Audit Disallowances/(Allowances)	<u>-</u>
Audited Historical Cost	\$ 10,230,297
Less: Accumulated Reimbursement	4,323,486
Adjustment to Accumulated Reimbursement	<u>619,202</u>
Audited Net Equity	\$ 5,287,609
Remaining Useful Life (See Adjustment #1, Exhibit III)	<u>4</u>
Audited Return of Equity	\$ 1,321,902
Promulgated Return of Equity	<u>984,469</u>
Disallowance/(Allowance)	<u><u>\$ (337,433)</u></u>
<u>Return on Equity Calculation</u>	
Audited Net Equity	\$ 5,287,609
Less: ½ Current Return of Equity	<u>660,951</u>
Audited Net Investment	\$ 4,626,658
Rate of Return	<u>4.68%</u>
Audited Return on Equity	\$ 216,528
Promulgated Return on Equity	<u>253,402</u>
Disallowance/(Allowance)	<u><u>\$ 36,874</u></u>

GRACE PLAZA NURSING AND REHABILITATION CENTER - AUDIT #13-2130
RATE PERIODS JANUARY 1, 2008 THROUGH DECEMBER 31, 2008
RETURN ON AVERAGE EQUITY DISALLOWANCES/(ALLOWANCES)

	RATE PERIOD
	<u>2008</u>
Return on Average Equity	
Average Equity per HE-12B	\$ 5,487,867
Audit Adjustments:	
Adjustment of Net Book Value of Leasehold Imp.	<u>(9,030,079)</u>
Audited Average Equity	\$(3,542,212)
Less: Audited Net Investment	<u>4,626,658</u>
Audited Remaining Equity	\$(8,168,870)
Rate of Return	<u>4.19%</u>
Return on Average Equity Per Audit	\$ -
Return on Average Equity Per HE-12B	<u>3,071</u>
Disallowance/(Allowance)	<u><u>\$ 3,071</u></u>