



Office of the  
Medicaid Inspector  
General

ANDREW M. CUOMO  
Governor

THOMAS R. MEYER  
Acting Medicaid Inspector General

February 26, 2015

[REDACTED]  
Folts Home  
104 N. Washington Street  
Herkimer, New York 13350

Re: Medicaid Rate Audit #13-2835  
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 Folts Home'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 audit report represents the OMIG's final determination on issues raised in the draft audit report.

In response to the draft audit report dated August 12, 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 \$12,027 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. Based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is \$4,886. 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 #13-2835  
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] Please refer to audit number 13-2835 in all correspondence.

Sincerely,

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

Enclosure

ATTACHMENT A – Facility Draft Audit Report Comments and OMIG Response  
ATTACHMENT B – Summary of Changes from Draft to Final Audit Report  
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:**

Folts Home  
104 N. Washington Street  
Herkimer, New York 13350

**AMOUNT DUE: \$4,866**

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

**AUDIT #13-2835**

**AUDIT  
TYPE**

**PROVIDER**  
 **RATE**  
 **PART B**  
 **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 #13-2835  
Albany, New York 12237-0048
5. If the provider number shown above is incorrect, please enter the correct number below.

[REDACTED]

**CORRECT PROVIDER NUMBER**

FOLTS HOME, INC. - AUDIT #13-2835  
FACILITY DRAFT AUDIT 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**

**Adjustment # 2(a) – Moveable Equipment Rental Disallowances**

Mattress Rentals Rent A Invoices

We added up all of the mattress invoices and came to a total of \$48,587.50. After accounting for a few disallowances due to name and day variances, we have backup for \$46,645. The original claim on mattresses was \$49,753. Which leaves a total of disallowed mattresses at \$3,108. After adding the \$3,108 to the remainder of disallowed items including Ray Johnson, Xerox and Ford, the total Rent A disallowances should be \$13,281. The revised notice from the OMIG included \$15,606 in Rent A disallowances.

Xerox Copier Rent A Expenses

Please see attached "Xerox" pdf which shows payments for copiers for 12 periods. For some reason OMIG only allowed 8 periods and disallowed 4 for a total disallowance of \$3,264.

Citi-Capital Computer Rent C Expenses

We would like to appeal on the Rent C disallowance of \$13,407. The original disallowance was \$40,221 which consists of 3351.73 @ 12 periods. We were unable to prove that payments were made through August via bank statements we were able to recover from storage. Unfortunately, we were unable to recover the last four months of bank statements from storage or from the financial institution because it goes back such a long period of time. However, the attached contract shows that 3,351.73 was due monthly for a period of 36 months beginning in February 2005. This should establish a precedent that payments have been made. For purposes of disclosure, page 8 of SCAN5929 attached contains the correspondence showing we tried to obtain the bank statement of September through December 2006. Thank you for consideration of the above matters and look forward to hearing from you regarding your findings.

2003 Ford Truck Rent A Expenses

The only other item we are looking into is the disallowance on the 2003 Ford truck. On tab "ME Rent L14" cell O32 it says "Folts % applied". However, it seems like the entire amount of \$1,661 was disallowed even though there is check history for 3 payments of 514.88 each per the "invoices" tab. If you can point me in the right direction regarding this and let me know what sort of documentation would be acceptable to the OMIG, we would appreciate it.

**OMIG Response**

The Facility's comments and additional mattress invoices were considered. \$46,645 in mattress rentals expenses were allowed, resulting in a disallowance of \$3,108.

While invoices were not provided for Xerox copier expenses, the check history for 2006-2007 included monthly charges totaling more than the reported expense. Since copy overage and supplies could not be identified in invoices, the audited total was limited to the reported expense.

The Facility provided the capital lease for 36 payments for Citi-Capital computer lease payments of \$3,351.53 each. 12 lease payments were allowed, resulting in no disallowance for Rent C expense.

The Ford Credit check history included three possible payments of \$553.50, however payment one (check #10041) and three (check #10285) were duplicate for invoice dated 1/01/06. Payment 1 of \$514.88 also included an additional journal entry for \$38.62 which may or may not reflect late fees. Since the Facility could not provide invoices, payments of \$514.88 for 1/01/06 and 4/11/06 were allowed, and the Folts Home % of vehicles and other expenses applied; resulting in disallowance of \$990.

**Disposition: The Facility's response was recognized; the draft audit report adjustments have been revised accordingly.**

**FOLTS HOME, INC. - AUDIT #13-2835**  
**SUMMARY OF CHANGES FROM DRAFT AUDIT REPORT TO FINAL AUDIT REPORT**

	<u>Rate Period</u>	<u>Draft Disallowance (Allowance)</u>	<u>Change</u>	<u>Final Disallowance (Allowance)</u>
<b>EXHIBIT III - PROPERTY EXPENSE DISALLOWANCES/ALLOWANCES</b>				
2 MOVEABLE EQUIPMENT RENTAL DISALLOWANCES				
RENT A	2008	\$15,606	(\$6,260)	\$9,346
RENT C	2008	13,407	(13,407)	-
RENT A	2008	3,535		3,535

**FOLTS HOME - AUDIT #13-2835**  
**RATE PERIODS JANUARY 1, 2008 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>
01/01/08 - 03/31/08	\$154.02	\$153.89	\$0.13	9,811	\$ 1,275
04/01/08 - 06/30/08	151.25	151.12	0.13	8,804	1,145
07/01/08 - 12/31/08	154.54	154.41	0.13	18,969	<u>2,466</u>
<b>TOTAL MEDICAID OVERPAYMENT</b>					<b><u>\$ 4,886</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.

**FOLTS HOME - AUDIT #13-2835**  
**RATE PERIODS JANUARY 1, 2008 THROUGH DECEMBER 31, 2008**  
**SUMMARY OF MEDICAID RATES AUDITED**

The Facility's Medicaid utilization was approximately 66 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>
01/01/08 - 03/31/08	\$154.02
04/01/08 - 06/30/08	151.25
07/01/08 - 12/31/08	154.54

\* 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.

**FOLTS HOME - AUDIT #13-2835**  
**RATE PERIODS JANUARY 1, 2008 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

	<u>DESCRIPTION</u>	<u>COST CTR.</u>	<u>DISALLOWED (ALLOWED)</u>	<u>TRACE-BACK %</u>	<u>RATE PERIOD 2008</u>
<b>Property Expense Allowed per HE-12B</b>					\$ 883,596
<b>Less Disallowances/(Allowances):</b>					
<b>1. PROPERTY INSURANCE DISALLOWANCE</b>					
<p>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. Property insurance pertaining to the apartments and assisted living program should not have been included in the Facility's rate since it is not related to patient care at the Facility. Consequently, a disallowance was necessary.  <b>Regulations: 10 NYCRR Sections 86-2.17(a), PRM-1 Sections 2102.3</b></p>					
	Prop. Ins.	005	\$11,501	94.92%	10,917
<b>2. MOVEABLE EQUIPMENT RENTAL DISALLOWANCES</b>					
<p>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. Expenses related to the apartments, assisted living program and Mohawk Valley Nursing Home are not related to patient care of the nursing facility and should not be included in the nursing facility rate.  <b>Regulations: 10 NYCRR Sections 86-2.17(a) &amp; (d), PRM-1 Sections 2300 &amp; 2304</b></p>					
	Rent A	002	9,346	93.42%	8,731
<p>b) 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. Costs pertaining to an automobile used for personal use by the employees is not related to patient care and were disallowed.  <b>Regulations: 10 NYCRR Sections 86-2.17(a) &amp; (d), PRM-1 Sections 2102.3 &amp; 2105.9</b></p>					
	Rent A	002	3,535	93.42%	3,302
<b>3. AUTO INSURANCE DISALLOWANCE</b>					
<p>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. Auto insurance expense on vehicles used by the apartments and assisted living program were disallowed since this expense is not directly related to patient care of the nursing facility and should not be included in the nursing facility rate.  <b>Regulations: 10 NYCRR Sections 86-2.17(a), PRM-1 Sections 2102.3 &amp; 2105.9</b></p>					
	Auto Ins.	005	3,510	94.92%	3,332

**FOLTS HOME - AUDIT #13-2835**  
**RATE PERIODS JANUARY 1, 2008 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

	<u>DESCRIPTION</u>	<u>COST CTR.</u>	<u>DISALLOWED (ALLOWED)</u>	<u>TRACE- BACK %</u>	<u>RATE PERIOD 2008</u>
<b>4. MORTGAGE INSURANCE ALLOWANCE</b>					
Reported mortgage insurance expense was not allowed in the rate computation process. Since the mortgage insurance expense was properly documented and paid, an allowance was necessary. <b>Regulation: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.2, 2300 &amp; 2304</b>	Mort. Ins.	005	(30,913)	94.92%	(29,343)
<b>5. ORGANIZATIONAL START-UP COSTS DISALLOWANCE</b>					
Facilities receiving payment based on reimbursable costs are to provide adequate cost data on financial and statistical records that can be verified on audit. The amortization of start-up costs varied from the expense allowed in the rate. Consequently, a disallowance was necessary. <b>Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 &amp; 2304</b>	Org./Start-Up	005	1,165	94.92%	1,106
<b>6. MOVEABLE EQUIPMENT DEPRECIATION DISALLOWANCE</b>					
a) The Bureau of Long Term Care Reimbursement has determined the nature of telephone expense to be an operating expense for residential health care facilities. Since the expense is included in the formula to determine base, mean and ceiling prices used to establish the indirect corridor, the reimbursement of telephone expense in the capital component of the rate amounts to duplicate reimbursement. Thus, telephone depreciation expense was disallowed. <b>Regulations: 10 NYCRR Sections 86-2.17(d)</b>	ME Depr.	002	1,235	93.42%	1,154
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. The cost information must be current, accurate and in sufficient detail. Moveable equipment depreciation determined per audit varied from the expense allowed in the rate calculation process resulting in a disallowance. <b>Regulations: 10 NYCRR Sections 2300 &amp; 2304</b>	ME Depr.	002	5,101	93.42%	4,765

**FOLTS HOME - AUDIT #13-2835**  
**RATE PERIODS JANUARY 1, 2008 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

<b>7. BUILDING/FIXED EQUIPMENT DEPRECIATION DISALLOWANCE</b>	<u>DESCRIPTION</u>	<u>COST CTR.</u>	<u>DISALLOWED (ALLOWED)</u>	<u>TRACE- BACK %</u>	<u>RATE PERIOD 2008</u>
<p>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. Depreciation expense related to the Adult Home was disallowed as this cost was not related to nursing facility patient care. Providers receiving payment on the basis of reimbursable costs are required to provide adequate cost data based on financial and statistical records that are verified on audit. The cost information must be current, accurate, and in sufficient detail. Since the Facility could not fully document reported expense, a disallowance was necessary.</p> <p><b>Regulations: 10 NYCRR Section 86-2.17(a). PRM-1 Sections 2102.3, 2300 &amp; 2304</b></p>	Bldg. Depr.	001	3,457	93.42%	3,230

Property Expense Disallowances/(Allowances)

\$	7,194
<b>\$</b>	<b>876,402</b>

**TOTAL AUDITED PROPERTY EXPENSE**