



Office of the
Medicaid Inspector
General

ANDREW M. CUOMO
Governor

THOMAS R. MEYER
Acting Medicaid Inspector General

January 15, 2015

[REDACTED]
Evergreen Valley Nursing Home
8 Bushey Blvd.
Plattsburgh, New York 12901

Re: Medicaid Rate Audit #11-3799
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 Evergreen Valley Nursing Home'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 audit report represents the OMIG's final determination on issues raised in the draft audit report.

In response to the draft audit report dated February 8, 2013, 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 \$233,794 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 \$208,572. 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 Coming Tower, Room 2739
File #11-3799
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:

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 11-3799 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 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)
- EXHIBIT IV - Per Diem Disallowances
- EXHIBIT V - Correction of Patient Days

CERTIFIED MAIL [REDACTED]
RETURN RECEIPT REQUESTED

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

NAME AND ADDRESS OF AUDITEE

Evergreen Valley Nursing Home
8 Bushey Blvd.
Plattsburgh, New York 12901

NPI #: [REDACTED]
PROVIDER # [REDACTED]

AUDIT #11-3799

AMOUNT DUE: \$208,572

AUDIT TYPE	<input type="checkbox"/> PROVIDER
	<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 #11-3799
Albany, New York 12237-0048

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

[REDACTED]

CORRECT PROVIDER NUMBER

**EVERGREEN VALLEY NURSING HOME - AUDIT #11-3799
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 #1 – Property Insurance Disallowance

Facility Comment

This facility has experienced a great deal of turnover in management positions in both Administration and Finance, during the audit period of 2006 through 2008 rates. As such it has become difficult for personnel not involved with the actual recording and filing of certain expense documentation, to locate this documentation.

As such, we disagree with the proposed adjustment at least until such times as we can complete a thorough search of our older files in an attempt to locate the missing documents.

OMIG Response

The Facility has not submitted any documentation substantiating the expense.

Disposition: The draft report disallowance remains the same.

Adjustment #2 – Return on and Return of Equity Disallowances

The Facility's response was recognized; the draft disallowance was removed as shown on Attachment B.

Adjustment #3b – Movable Equipment Depreciation Disallowances

Facility Comment

The OMIG seems to indicate that certain expenses are deemed to be repairs and as such the annual depreciation expense is not recognized for reimbursement purposes. In analyzing this adjustment, it appears that the most significant asset relates to the purchase of a bus for transportation of residents. The vehicle, valued at \$49,755, has an annual depreciation expense \$9,951. We believe this may have appeared in a cost center than indicated repairs but was in fact a new vehicle which should be allowed for depreciation reimbursement.

Furthermore, we believe that all of our capital acquisitions have been capitalized in accordance with Generally Accepted Accounting Principles (GAAP) and protest the entire adjustment. Please provide us with the type of additional documentation which is needed for removal of this proposed adjustment.

OMIG Response

According to PRM-1 Section 108.2, betterments and improvements extend the useful life, increase the productivity, or significantly improve the safety (e.g., asbestos removal) of an asset as opposed to repairs and maintenance which either restore the asset to, or maintain it at, its normal or expected service life. Repair and maintenance costs are always allowed in the current accounting period.

For the costs of betterments and improvements, the guidelines established in Section 108.1 must be followed, i.e., if the cost of a betterment or improvement to an asset is \$5,000 or more and the estimated useful life of the asset is extended beyond its original estimated useful life by at least 2 years, or if the productivity of the asset is increased significantly over its original productivity, or the safety of the asset is increased significantly, then this cost must be capitalized and written off ratably over the remaining estimated useful life of the asset as modified by the betterment or improvement. As in the previous section, lower minimum criteria may be used if desired.

Based on the draft report response, the disallowances for the bus have been removed; however, since the above conditions have not been met for the remaining capital acquisitions, there is no justification to change the remaining disallowances.

Disposition: The draft report disallowances have been reduced as shown on Attachment B.

Adjustment #3c – Movable Equipment Depreciation Disallowance

Facility Comment

We were aware of a duplication of reimbursement relative to depreciation expense and capitalized lease reimbursement. We have filed a 2006 appeal with DOH requesting correction of this duplication. Please remove this adjustment and allow DOH to process the entire appeal which we believe includes both positive and negative issues.

OMIG Response

The Facility has not submitted any documentation substantiating the expense.

Disposition: The draft report disallowance remains the same.

Adjustment #3e – Movable Equipment Depreciation Disallowances

Facility Comment

We must disagree with this adjustment at this time. We have been unable to track the adjustment through our internal records. As such and in conjunction with our response to Item #1 we disagree at this time.

OMIG Response

The Facility has not submitted any documentation substantiating the expense.

Disposition: The draft report disallowance remains the same.

Adjustment #3f – Movable Equipment Depreciation Disallowances

Facility Comment

It appears that OMIG intends to disallow ME depreciation expense applicable to equipment used primarily for our attached Adult Day Care Center. We believe this is inappropriate due to an apparent adjustment to reimbursement methodology. It is our understanding that the methodology calls for reporting all costs associated with the health care entity. The allocation methodology calls for reporting all costs associated with the health care entity. The allocation methodology, using a "step down" approach will then allocate costs to the appropriate entity. Disallowance of certain costs apparently

related primarily to our Adult Day Care Center while continuing to utilize trace back percentages which incorporate the ADC appears to create a duplicate disallowance.

Furthermore, we do not see in this audit report any place where costs disallowed as related to the NF have been added to our allowable ADC rates.

This adjustment should be removed from the final audit report.

OMIG Response

The Facility has not submitted any documentation substantiating the relationship to patient care for reported automobile costs. Based on the draft report response to Adjustment 3b (above), we have removed the disallowance for the purchase of a new bus which was previously disallowed as a repair. As a result of the increase in allowable automobile expenses, the OMIG must similarly increase the 90% disallowance since they do not relate to patient care.

Disposition: The draft report disallowances have been increased as shown on Attachment B.

Adjustment #4a – Equipment Rental Adjustments

Facility Comment

As illustrated in our response to items 1 and 3c, we have been unable to locate documentation to respond to this proposed adjustment. In addition, we were unable to determine what the allowances and disallowance in rental expense related to from the audit work papers provided. As such, we are requesting additional documentation of these proposed adjustments.

Furthermore, we must disagree with the adjustment at this time, pending complete review of available records.

OMIG Response

The Facility has not submitted any documentation substantiating the expense.

Disposition: The draft report disallowance remains the same.

Adjustment #4b – Equipment Rental Adjustments

Facility Comment

We believe the automotive expenses in question were a legitimate part of our Administrator's compensation package and as such were properly reported as equipment rental expense. Since equipment rental is a capital item and because it is a legitimate part of our Administrator's compensation package, we believe this adjustment should be removed from the final report.

OMIG Response

Movable equipment rentals were reported on vehicles the administrator used for personal purposes. Such payments represent additional compensation to the administrator and are allowable only in the base period operating component of the rate. Only documented nursing home business use is allowable in the property component. Therefore, these expenses are unallowable as a capital expense.

Disposition: The draft report disallowance remains the same.

Adjustment #5a – Auto Insurance Adjustments

Facility Comment

As with other cost substantiation issues included in this draft audit report, we must disagree with this adjustment at this time.

OMIG Response

The Facility has not submitted any documentation substantiating the expense.

Disposition: The draft report adjustments remain the same.

Adjustment #5b – Auto Insurance Adjustments

Facility Comment

Since this adjustment is similar to that proposed at item 4b, our disagreement has the same basis as that included at item 4b.

OMIG Response

As with adjustment 4b, auto insurance expenses were reported on vehicles the administrator used for personal purposes. Such payments represent additional compensation to the administrator and are allowable only in the base period operating component of the rate. Only documented nursing home business use is allowable in the property component. Therefore, these expenses are unallowable as a capital expense.

Disposition: The draft report adjustments remain the same.

Adjustment #6 – Return on Average Equity Allowance

Facility Comment

This issue must be dealt with in conjunction with item #2 discussed above.

OMIG Response

As with adjustment #2, this adjustment has been eliminated.

Disposition: The draft report allowance has been eliminated.

Adjustment #7 – Mortgage Expense Amortization Disallowance

Facility Comment

We are unable to determine exactly what this adjustment relates to. As such, we will need additional documentation of the proposed adjustment to properly respond to it.

OMIG Response

The Facility has not submitted any documentation substantiating the expense.

Disposition: The draft report disallowance remains the same.

Adjustment #8 – Direct Assignment Adjustments

The Facility's response was recognized; the draft report disallowance was removed as shown on Attachment B.

EXHIBIT IV COMMENTS

Per Diem Adjustment- Real Estate Taxes Per Diem Disallowance

Facility Comment

We have previously appealed for the reduction of the duplicated Real Estate Taxes. The DOH has not responded to our 2007 appeal. We are requesting that this disallowance be removed and allowed to run the normal appeal process for this financially distressed facility.

OMIG Response

The OMIG elected to process the rate appeal as part of this audit to address the issue of duplicate reimbursement.

Disposition: The draft report disallowance remains the same.

Per Diem Adjustment - OBRA Per Diem Disallowance

Facility Comment

As for the OBRA disallowance, we are unable to locate any information which indicates when these mandatory expenses became effective. As such, please provide additional backup to support this disallowance.

OMIG Response

The Facility has not submitted any documentation substantiating the expense.

Disposition: The draft report disallowance remains the same.

EVERGREEN VALLEY NURSING HOME - AUDIT #11-3799
SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT

<u>EXHIBIT III - PROPERTY EXPENSE</u> <u>DISALLOWANCES/(ALLOWANCES)</u>	<u>Rate</u> <u>Period</u>	<u>Draft</u> <u>Disallowance</u> <u>(Allowance)</u>	<u>Change</u>	<u>Final</u> <u>Disallowance</u> <u>(Allowance)</u>
1. PROPERTY INSURANCE DISALLOWANCE	2006	\$ 6,774	\$ -	\$ 6,774
2. RETURN ON AND RETURN OF EQUITY DISALLOWANCES	2006	3,505	(3,505)	-
	2006	135,041	(135,041)	-
	2007	20,955	(20,955)	-
	2007	85,211	(85,211)	-
	2008	62,833	(62,833)	-
3b. MOVABLE EQUIPMENT DEPRECIATION DISALLOWANCES	2006	11,159	(9,951)	1,208
	2007	10,842	(9,951)	891
	2008	10,983	(9,951)	1,032
3c. MOVABLE EQUIPMENT DEPRECIATION DISALLOWANCE	2006	12,252	-	12,252
3e. MOVABLE EQUIPMENT DEPRECIATION ADJUSTMENTS	2007	(2,079)	-	(2,079)
	2008	6,035	-	6,035
3f. MOVABLE EQUIPMENT DEPRECIATION DISALLOWANCES	2006	3,920	8,956	12,876
	2007	7,781	8,955	16,736
	2008	7,781	8,956	16,737
4a. EQUIPMENT RENTAL ADJUSTMENTS	2006	(1,589)	-	(1,589)
	2006	(2,344)	-	(2,344)
	2006	(371)	-	(371)
	2007	(1,142)	-	(1,142)
	2007	(1,596)	-	(1,596)
	2007	11,762	-	11,762
	2008	1,507	-	1,507
	2008	1,538	-	1,538
4b. EQUIPMENT RENTAL ADJUSTMENTS	2006	4,970	-	4,970
	2007	4,970	-	4,970
	2008	3,778	-	3,778
5a. AUTO INSURANCE ADJUSTMENTS	2006	1,943	-	1,943
	2007	(2,550)	-	(2,550)
	2008	(53)	-	(53)
5b. AUTO INSURANCE ADJUSTMENTS	2006	2,769	-	2,769
	2007	4,647	-	4,647
	2008	4,984	-	4,984
6. RETURN ON AVERAGE EQUITY ALLOWANCE	2007	(11,891)	11,891	-
7. MORTGAGE EXPENSE AMORTIZATION DISALLOWANCE	2006	3,784	-	3,784

EVERGREEN VALLEY NURSING HOME - AUDIT #11-3799**SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT**

<u>EXHIBIT III - PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)</u>	<u>Rate Period</u>	<u>Draft Disallowance (Allowance)</u>	<u>Change</u>	<u>Final Disallowance (Allowance)</u>
8. DIRECT ASSIGNMENT ADJUSTMENTS	2006	\$436	(\$436)	\$0
	2007	865	(865)	-
	2008	865	(865)	-
	2006	240	(240)	-
	2007	403	(403)	-
	2008	432	(432)	-
	2006	(436)	436	-
	2007	(865)	865	-
	2008	(865)	865	-
	2006	(240)	240	-
	2007	(403)	403	-
	2008	(432)	432	-
 <u>EXHIBIT IV - PER DIEM DISALLOWANCES</u>				
REAL ESTATE TAXES	2007	1.67	-	1.67
	2008	1.71	-	1.71
OBRA	2006	0.44	-	0.44
	2007	0.45	-	0.45
	2008	0.46	-	0.46

Note: The adjustments shown above only reflect those adjustments addressed in the Facility's response. All other adjustments remain the same as shown in the draft audit report.

EVERGREEN VALLEY NURSING HOME - AUDIT #11-3799
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 & 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</u>
01/01/06 - 03/31/06	\$145.33	\$143.76	\$1.57	6,742	\$ 10,585
04/01/06 - 06/30/06	146.32	144.75	1.57	6,638	10,422
07/01/06 - 09/30/06	140.83	139.26	1.57	7,208	11,317
10/01/06 - 12/31/06	140.00	138.43	1.57	7,196	11,298
01/01/07 - 03/31/07	142.01	139.05	2.96	6,672	19,749
04/01/07 - 06/30/07	141.25	138.29	2.96	6,946	20,560
07/01/07 - 12/31/07	140.50	137.54	2.96	13,292	39,344
01/01/08 - 03/31/08	143.12	139.93	3.19	6,735	21,485
04/01/08 - 06/30/08	140.51	137.32	3.19	6,592	21,028
07/01/08 - 12/31/08	148.73	145.54	3.19	13,412	42,784
TOTAL MEDICAID OVERPAYMENT					<u>\$ 208,572</u>

* Any differences between these rates and the rates listed in Exhibit II of this 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.

EVERGREEN VALLEY NURSING HOME - AUDIT #11-3799
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 85 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 report represent rate changes made subsequent to our audit. These changes remain open to future audit by the OMIG.

<u>RATE PERIOD</u>	Issued Medicare Part B & D <u>Non-Eligible Rates *</u>
01/01/06 - 03/31/06	\$ 145.33
04/01/06 - 06/30/06	146.32
07/01/06 - 09/30/06	140.83
10/01/06 - 12/31/06	140.00
01/01/07 - 03/31/07	142.01
04/01/07 - 06/30/07	141.25
07/01/07 - 12/31/07	140.50
01/01/08 - 03/31/08	143.12
04/01/08 - 06/30/08	140.51
07/01/08 - 12/31/08	148.73

* 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.

EVERGREEN VALLEY NURSING HOME - AUDIT #11-3799
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	CTR.	DISALLOWED (ALLOWED)	TRACE- BACK %	RATE PERIODS		
				2006	2007	
				\$ 607,789	\$ 420,459	\$ 378,086

Property Expense Allowed per HE-12B
Less Disallowances/(Allowances):

1. PROPERTY INSURANCE DISALLOWANCE

Facilities receiving payments 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. Cost data must be current, accurate, and in sufficient detail. The Facility did not provide adequate documentation to substantiate reported property insurance expense. Consequently, a disallowance was necessary.

Regulations: 10 NYCRR Section 86-2.17(a), PRIM-1 Sections 2300 & 2304

Prop. Ins. 005 \$ 6,774 93.24% 6,316

2. RETURN ON AND RETURN OF EQUITY DISALLOWANCES

Based on the draft report response, the disallowances have been eliminated.

3. MOVABLE EQUIPMENT DEPRECIATION ADJUSTMENTS

a. The audit disclosed that depreciation in the promulgated rate varied when compared to audited movable equipment depreciation. Consequently, allowances were necessary.

Regulations: 10 NYCRR Section 86-2.17(a), PRIM-1 Section 2102.2

ME Depr. 002 (901) 91.59% (734)
ME Depr. 002 (1,182) 91.71% (1,084)
ME Depr. 002 (1,191) 91.32% (1,088)

b. The Facility incorrectly capitalized costs that should have been expensed as operating costs in accordance with generally accepted accounting principles and the guidelines and definitions included in the RHC-F Accounting and Reporting Manual. Accordingly, the depreciation expenses applicable to these costs were disallowed.

Regulations: 10 NYCRR Section 451.168, Section 86-2.4

ME Depr. 002 1,208 91.59% 1,106
ME Depr. 002 891 91.71% 817
ME Depr. 002 1,032 91.32% 942

c. In accordance with the Bureau of Long Term Care Reimbursement (BLTCR) methodology, depreciation on capitalized leases of 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.

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

ME Depr. 002 12,252 91.59% 11,222

d. Facilities are required to provide adequate cost data that can be verified. The Facility did not provide full documentation for reported movable equipment depreciation expense. Consequently, the unsubstantiated expenses were disallowed.

Regulations: 10 NYCRR Sections 86-2.17(a) & 86-2.22, PRIM-1 Sections 2102.3, 2300, & 2304.

ME Depr. 002 473 91.71% 434
ME Depr. 002 1,059 91.32% 967

e. The BLTCR disallowed depreciation expense for capitalized leases in the promulgated rates. However, audited capitalized lease depreciation expense differed from the amount previously disallowed by BLTCR. Consequently, adjustments were necessary.

Regulation: 10 NYCRR Section 86-2.22

ME Depr. 002 (2,079) 91.71% (1,907)
ME Depr. 002 6,035 91.32% 5,511

EVERGREEN VALLEY NURSING HOME - AUDIT #11-3799
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
3. MOVABLE EQUIPMENT DEPRECIATION ADJUSTMENTS (CONTINUED)							
f. 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. Movable equipment depreciation in the rates included depreciation on expenditures related to an Adult Day Health Care (ADHC) level of care. ADHC expense is not related to patient care of the nursing facility and should not be included in the nursing facility rate computation. Consequently, disallowances were necessary. Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Section 2102.3	ME Depr. ME Depr. ME Depr.	002 002 002	12,876 16,736 16,737	91.59% 91.71% 91.32%	11,793	15,349	15,284
4. EQUIPMENT RENTAL ADJUSTMENTS							
a. 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. Audited equipment rental expense varied from the expenses allowed in the promulgated rates. This resulted in adjustments. Regulations: 10 NYCRR Sections 86-2.10(g) & 86-2.17(a), PRM-1 Sections 2300 & 2304	Rent A Rent C Other Rent A Rent B Rent C Rent B Rent C	005 051 005 002 005 013 005 051	(1,589) (2,344) (371) (1,142) (1,586) 11,762 1,507 1,538	93.24% 100.00% 93.24% 91.71% 92.85% 93.63% 92.26% 100.00%	(1,482) (2,344) (346)	(1,047) (1,482) 11,013	1,390 1,538
b. Allowable costs shall not include expenses which are determined by the Commissioner not to be reasonably related to the efficient production of service because of either the nature or amount of the particular item. Reported vehicle rental expenses, which were solely related to an administrator, were disallowed as they were not related to Nursing Facility care. Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2102.3 & 2105.9	Rent B Rent B Rent B	005 005 005	4,970 4,970 3,778	93.24% 92.85% 92.26%	4,634	4,615	3,486
5. AUTO INSURANCE ADJUSTMENTS							
a. Providers receiving payments 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. Cost data must be current, accurate, and in sufficient detail. Audited automobile insurance varied from the insurance expense allowed in the rate, resulting in adjustments. Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 & 2304	Auto Ins. Auto Ins. Auto Ins.	022 022 005	1,943 (2,550) (53)	57.47% 0.00% 92.26%	1,117	-	(49)
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. Only costs properly chargeable to necessary patient care are allowable. Auto insurance expense on vehicles that were used for the ADHC or exclusively by administrators were disallowed since these expenses were not directly related to patient care. Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3 & 2105.9	Auto Ins. Auto Ins. Auto Ins.	022 022 005	2,769 4,647 4,984	57.47% 0.00% 92.26%	1,591	-	4,598

EVERGREEN VALLEY NURSING HOME - AUDIT #11-3739
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE- BACK %	RATE PERIODS	
				2006	2007
6. RETURN ON AVERAGE EQUITY ALLOWANCE Based on the draft report response, the allowance has been eliminated.					
7. MORTGAGE EXPENSE AMORTIZATION DISALLOWANCE 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 expense amortization resulting in a disallowance. Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRIM-1 Sections 2102.3, 2300 & 2304	003	3,784	91.59%	3,466	
8. DIRECT ASSIGNMENT ADJUSTMENTS Based on the draft report response, the adjustments have been eliminated.					
Total Property Expense Disallowances/(Allowances)				\$ 36,339	\$ 26,708
TOTAL AUDITED PROPERTY EXPENSE				\$ 571,450	\$ 393,751
				\$ 32,579	\$ 345,507

EVERGREEN VALLEY NURSING HOME - AUDIT #11-3799
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
PER DIEM DISALLOWANCES

DISALLOWANCE OF REAL ESTATE TAXES PER DIEM

Beginning with the January 1, 2007 Medicaid rates, the Bureau of Long Term Care Reimbursement (BLTCR) began to subtract real estate taxes from operating base year non-comparable expenses, and allow the property base year real estate taxes in the capital per diem. On audit it was discovered that the Facility was receiving reimbursement for real estate taxes on Schedule VII of the HE-12B (Per Diem Adjustments) as part of their Miscellaneous Adjustment (Schedule A). In rate years 2007 and 2008, the Facility also began receiving additional reimbursement for real estate taxes on Schedule VI of the HE-12B (Property). Since the Facility was being reimbursed on the real estate taxes in 2007 and 2008 twice, disallowances to the Miscellaneous Adjustment (Schedule A) were necessary to remove the duplicate reimbursement.

Regulation: 10 NYCRR Section 86-2.17(d)

DISALLOWANCE OF OBRA PER DIEM

The Facility received an OBRA per diem add-on in its January 1, 2005 through December 31, 2008 Medicaid rates. The OBRA per diem was added to recognize various Federally mandated direct expenses for facilities with operating base periods prior to April 1, 1991. This Facility's operating base period was 10/14/91 - 04/30/92; therefore, the Federally mandated expenditures were already included in the Facility's base period direct operating costs. Consequently, the per diem add-on for this Facility should only have replaced amounts that were cut by the direct ceiling limitations in the applicable rate calculations. A review of the Facility's 2006 through 2008 rates revealed that direct operating costs were not cut by a ceiling. Consequently, the OBRA per diem add-on was disallowed.

Regulation: 10 NYCRR Section 86-2.10(u)

DISALLOWED REAL ESTATE TAXES FROM SCHEDULE VII (PER DIEM ADJUSTMENTS)

	RATE PERIODS		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Real Estate Taxes Per Diem Add-On Adjustment	\$ -	\$ 1.67	\$ 1.71
OBRA Per Diem Add-On Adjustment	0.44	0.45	0.46
Total Real Estate Taxes and OBRA Per Diem Add-On Adjustments	<u>\$ 0.44</u>	<u>\$ 2.12</u>	<u>\$ 2.17</u>
Direct Cost Ceiling Per Diem Reduction	-	-	-
Disallowance to Per Diem Add-Ons	<u>\$ 0.44</u>	<u>\$ 2.12</u>	<u>\$ 2.17</u>

EVERGREEN VALLEY NURSING HOME - AUDIT #11-3799
RATE PERIODS JANUARY 1, 2006 THROUGH DECEMBER 31, 2008
CORRECTION OF PATIENT DAYS

The audit of patient day statistics disclosed that the patient days reported were overstated in rate year 2007. The following adjustment was necessary to include the proper days in the rate calculations.

Regulation: 10 NYCRR Section 86-2.8(c)

	<u>RATE YEAR</u>
	<u>2007</u>
Patient Days in Promulgated Rates	31,497
Patient Days per Audit	31,483
Overstated Patient Days	<u>14</u>