



Office of the  
Medicaid Inspector  
General

ANDREW M. CUOMO  
Governor

THOMAS R. MEYER  
Acting Medicaid Inspector General

January 16, 2015

[REDACTED]  
St. Mary's Hospital for Children  
29-01 216<sup>th</sup> Street  
Bayside, New York 11360

Re: Medicaid Rate Audit #12-3243  
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 St. Mary's Hospital for Children's (the "Facility") 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 November 21, 2014, you indicated agreement with the audit findings contained therein. Accordingly, 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 \$345,589. 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 #12-3243  
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

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

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 12-3243 in all correspondence.

Sincerely,

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

Enclosure

- EXHIBIT I - Summary of Per Diem Impact and Estimated 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**

St. Mary's Hospital for Children  
29-01 216<sup>th</sup> Street  
Bayside, New York 11360

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

AUDIT #12-3243

AMOUNT DUE: \$345,589

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 #12-3243  
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

**ST. MARY'S HOSPITAL FOR CHILDREN - AUDIT #12-3243**  
**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>ESTIMATED MEDICAID OVERPAYMENT</u>
01/01/07 - 03/31/07	\$720.18	\$715.10	\$5.08	7,915	\$ 40,208
04/01/07 - 06/30/07	720.18	715.10	5.08	8,067	40,980
07/01/07 - 10/31/07	715.83	710.75	5.08	11,291	57,358
11/01/07 - 12/31/07	715.83	710.75	5.08	5,732	29,119
01/01/08 - 03/31/08	1,385.45	1,380.06	5.39	8,284	44,651
04/01/08 - 06/30/08	1,365.62	1,360.23	5.39	8,305	44,764
07/01/08 - 12/31/08	1,397.13	1,391.74	5.39	16,421	88,509
<b>TOTAL MEDICAID OVERPAYMENT</b>					<b><u>\$ 345,589</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.

**ST. MARY'S HOSPITAL FOR CHILDREN - AUDIT #12-3243**  
**RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008**  
**SUMMARY OF MEDICAID RATES AUDITED**

The Facility's Medicaid utilization was approximately 94 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	\$720.18
04/01/07 - 06/30/07	720.18
07/01/07 - 10/31/07	715.83
11/01/07 - 12/31/07	715.83
01/01/08 - 03/31/08	1,385.45
04/01/08 - 06/30/08	1,365.62
07/01/08 - 12/31/08	1,397.13

\* 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.

**ST. MARY'S HOSPITAL FOR CHILDREN - AUDIT #12-3243**  
**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					\$ 1,026,971	\$ 1,187,249
Less Disallowances/(Allowances):						
<b>1. BUILDING/FIXED EQUIPMENT DEPRECIATION DISALLOWANCES</b>						
a) Providers receiving payment based on reimbursable costs must provide adequate cost data based on financial and statistical records that can be verified on audit. The Facility could not provide supporting documentation for all reported asset additions in the 2007 and 2008 rates. Consequently, the audit disallowed the depreciation expense associated with the unsubstantiated additions. Regulations: 10 NYCRR Sections 86-2.17(a) & 86-2.19(a), PRM-1 Sections 2300 & 2304	Bldg Depr.	001	9,734	65.42%	6,368	
	Bldg Depr.	001	32,434	66.79%		21,663
b) The Bureau of Long Term Care Reimbursement 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 ceiling prices used to establish the indirect expense corridor, the reimbursement of telephone depreciation expense in the property component amounts to duplicate reimbursement. Consequently, disallowances were necessary. Regulation: 10 NYCRR Section 86-2.17(d)	Bldg Depr.	001	85,941	65.42%	56,223	
	Bldg Depr.	001	68,434	66.79%		45,707
<b>2. MOVABLE EQUIPMENT DEPRECIATION DISALLOWANCES</b>						
Providers receiving payment based on reimbursable costs must provide adequate cost data based on financial and statistical records that can be verified on audit. The Facility could not provide documentation to substantiate certain reported additions. Consequently, a disallowance was necessary. Regulations: 10 NYCRR Sections 86-2.17(a) & 86-2.22(a), PRM-1 Sections 2300 & 2304	ME Depr.	002	3,649	65.42%	2,387	
	ME Depr.	002	17,223	66.79%		11,503
<b>3. AUTO EXPENSE DISALLOWANCES</b>						
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 Facility reported depreciation expense on vehicles used by the nursing home and those used for Home Care. An adjustment was made to eliminate the depreciation expense on vehicles used for Home Care. Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2102.3, 2105.9, 2300, & 2304	ME Depr.	002	16,538	65.42%	10,819	
	ME Depr.	002	21,508	66.79%		14,365
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. Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2102.3, 2105.9, 2300, & 2304	Auto Ins.	005	62,463	25.94%	16,203	
	Auto Ins.	005	66,731	28.03%		18,705

**ST. MARY'S HOSPITAL FOR CHILDREN - AUDIT #12-3243**  
**RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS	
					2007	2008
<b>3. AUTO EXPENSE DISALLOWANCES (CONT.)</b>						
c) 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 Facility was unable to provide documentation or demonstrate the relationship to patient care for automobile rental. Consequently, disallowances were necessary. Regulations: 10 NYCRR Sections 86-2.10(g) & 86-2.17(a) & (d), PRM-1 Sections 2102.3, 2105.9, 2300, & 2304	Rent B	005	7,336	25.94%	1,903	
	Rent C	043	13,338	25.94%	3,460	
	Rent B	004	7,023	28.03%		1,969
	Rent C	005	17,527	28.03%		4,913
<b>4. EQUIPMENT RENTALS DISALLOWANCES</b>						
a) The Facility reported various expenses in rent expenses 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. Regulations: 10 NYCRR Sections 86-2.10(g), 86-2.17(a), 451.181, & 455.37	Rent B	005	6,423	25.94%	1,666	
	Rent C	043	3,592	25.94%	932	
	Rent H	059	3,938	97.94%	3,857	
	Rent G	043	14,745	99.04%		14,603
	Rent K	071	26,818	100.00%		26,818
b) 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 resulting in disallowances of the unsubstantiated amount. Regulations: 10 NYCRR Sections 86-2.10(g) & 86-2.17(a), PRM-1 Sections 2300 & 2304	Rent B	005	10,936	25.94%	2,837	
	Rent C	043	12,103	25.94%	3,139	
	Rent B	004	22,065	28.03%		6,185
	Rent D	006	3,901	70.10%		2,735
	Rent F	040	660	34.67%		229
	Rent G	043	1,042	99.04%		1,032
c) 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. The Facility did not provide support for all reported rentals in all years. Equipment rentals were allowed to the extent adequate support documentation was provided. Consequently, disallowances were necessary. Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2300 & 2304	Rent M	071	50,840	100.00%	50,840	
	Rent B	004	1,504	28.03%		422
	Rent C	005	24,925	28.03%		6,986
	Rent K	071	25,830	100.00%		25,830
<b>Property Expense Disallowances/(Allowances)</b>					<b>\$ 160,634</b>	<b>\$ 203,665</b>
<b>TOTAL AUDITED PROPERTY EXPENSE</b>					<b>\$ 866,337</b>	<b>\$ 983,584</b>