



STATE OF NEW YORK  
OFFICE OF THE MEDICAID INSPECTOR GENERAL  
445 Hamilton Avenue, Suite 506  
White Plains, New York 10601

ANDREW M. CUOMO  
GOVERNOR

JAMES C. COX  
MEDICAID INSPECTOR GENERAL

July 22, 2014

[REDACTED]  
Somers Manor Nursing Home, Inc.  
P.O. Box 445  
Somers, New York 10589

Re: Medicaid Rate Audit #13-2477  
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 Somers Manor Nursing Home, Inc.'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.

In response to the draft audit report dated May 20, 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 \$76,453. 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 #13-2477  
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] or through email at [REDACTED]. Please refer to audit number 13-2477 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
- 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**

SOMERS MANOR NURSING  
HOME, INC  
P.O. BOX 445  
SOMERS, NEW YORK 10589

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

AUDIT #13-2477

AMOUNT DUE: \$76,453

|       |                                     |          |
|-------|-------------------------------------|----------|
| 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 #13-2477  
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

**SOMERS MANOR NURSING HOME, INC - AUDIT #13-2477**  
**RATE PERIODS JANUARY 1, 2008 THROUGH DECEMBER 31, 2008**  
**SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT**

| <u>RATE PERIOD</u>                | <u>ISSUED<br/>PART B &amp; D<br/>NON-ELIGIBLE<br/>RATES*</u> | <u>FINAL<br/>PART B &amp; D<br/>NON-ELIGIBLE<br/>RATES</u> | <u>RATE<br/>DECREASE<br/>(INCREASE)</u> | <u>MEDICAID<br/>DAYS</u> | <u>MEDICAID<br/>OVERPAYMENT</u> |
|-----------------------------------|--|--|---|--------------------------|---------------------------------|
| 01/01/08 - 03/31/08               | \$228.30   | \$227.27   | \$1.03                                  | 17,499                   | \$ 18,024                       |
| 04/01/08 - 06/30/08               | 224.64   | 223.61   | 1.03                                    | 17,734                   | 18,266                          |
| 07/01/08 - 12/31/08               | 228.24   | 227.21   | 1.03                                    | 38,993                   | <u>40,163</u>                   |
| <b>TOTAL MEDICAID OVERPAYMENT</b> |  |  |   |                          | <b><u>\$ 76,453</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.

**SOMERS MANOR NURSING HOME, INC - AUDIT #13-2477**  
**RATE PERIODS JANUARY 1, 2008 THROUGH DECEMBER 31, 2008**  
**SUMMARY OF MEDICAID RATES AUDITED**

The Facility's Medicaid utilization was approximately 72 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<br/>PART B &amp; D<br/>NON-ELIGIBLE RATES *</u> |
|---------------------|--|
| 01/01/08 - 03/31/08 | \$ 228.39  |
| 04/01/08 - 06/30/08 | 224.73   |
| 07/01/08 - 12/31/08 | 228.33   |

\* 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.

**SOMERS MANOR NURSING HOME, INC - AUDIT #13-2477**  
**RATE PERIODS JANUARY 1, 2008 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

|  | <u>DESCRIPTION</u> | <u>COST</u><br><u>CTR.</u> | <u>DISALLOWED</u><br><u>(ALLOWED)</u> | <u>TRACE-</u><br><u>BACK %</u> | <u>RATE PERIOD</u><br><u>2008</u> |
|--|--------------------|----------------------------|---------------------------------------|--------------------------------|-----------------------------------|
| <b>Property Expense Allowed per HE-12B</b>   |                    |                            |                                       |                                | <u>\$3,706,961</u>                |
| <b>Less Disallowances/(Allowances):</b>  |                    |                            |                                       |                                |                                   |
| <b>1. PROPERTY INSURANCE EXPENSE DISALLOWANCE</b>  |                    |                            |                                       |                                |                                   |
| The Facility included insurance premiums for business income insurance. This type of insurance does not relate to the loss or damage to the Facility's physical property and consequently is only includable in the operating component of the rate. Since this insurance premium is not allowable as property insurance expense, it was disallowed.   |                    |                            |                                       |                                |                                   |
| <b>Regulations: 10 NYCRR Sections 86-2.10(g), 86-2.17(a) &amp; (d), PRM-1 Sections 2161 &amp; 2806.2</b>   |                    |                            |                                       |                                |                                   |
|  | Prop Ins.          | 005                        | 8,719                                 | 99.99%                         | 8,718                             |
| <b>2. MOVABLE EQUIPMENT DEPRECIATION EXPENSE DISALLOWANCE</b>  |                    |                            |                                       |                                |                                   |
| The OMIG disallowed equipment depreciation expense in excess of the allowable project and non-project costs. This disallowance was based upon prior audit #04-W04-3198.  |                    |                            |                                       |                                |                                   |
| <b>Regulations: 10 NYCRR Sections 86-2.17, 86-2.22(a), &amp; 710.6</b>   |                    |                            |                                       |                                |                                   |
|  | ME Depr.           | 002                        | 13,518                                | 99.99%                         | 13,517                            |
| <b>3. EQUIPMENT RENT EXPENSE DISALLOWANCE</b>  |                    |                            |                                       |                                |                                   |
| a) The Facility included charges for non-medical ambulette services, maintenance, supplies, and oxygen with rental expense. The costs associated with non-medical ambulette services, maintenance, supplies, and oxygen are considered operating expenses and should not be included in the capital component of the rate. Therefore, the expenses related to these expenses were disallowed.                                  |                    |                            |                                       |                                |                                   |
|  | Rent B             | 005                        | 2,524                                 | 99.99%                         | 2,524                             |
|  | Rent F             | 013                        | 4,128                                 | 100.00%                        | 4,128                             |
|  | Rent G             | 014                        | 3,300                                 | 100.00%                        | 3,300                             |
|  | Rent I             | 051                        | 3,918                                 | 100.00%                        | 3,918                             |
| <b>Regulations: 10 NYCRR Sections 86-2.10(g), 86-2.17(a) &amp; (d), 455.37, &amp; 458.5, PRM-1 Section 2806.2</b>  |                    |                            |                                       |                                |                                   |
| 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 rental expense in the property component amounts to duplicate reimbursement. Consequently, a disallowance was necessary. |                    |                            |                                       |                                |                                   |
| <b>Regulation: 10 NYCRR Section 86-2.17(d)</b>   |                    |                            |                                       |                                |                                   |
|  | Rent B             | 005                        | 31,961                                | 99.99%                         | 31,958                            |

**SOMERS MANOR NURSING HOME, INC - AUDIT #13-2477**  
**RATE PERIODS JANUARY 1, 2008 THROUGH DECEMBER 31, 2008**  
**PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)**

|   | <u>DESCRIPTION</u> | <u>COST</u><br><u>CTR.</u> | <u>DISALLOWED</u><br><u>(ALLOWED)</u> | <u>TRACE-</u><br><u>BACK %</u> | <u>RATE PERIOD</u><br><u>2008</u> |
|---|--------------------|----------------------------|---------------------------------------|--------------------------------|-----------------------------------|
| <b>4. AUTOMOBILE EXPENSE DISALLOWANCE</b>   |                    |                            |                                       |                                |                                   |
| The Facility reported rent, insurance, and sales tax expense related to luxury automobiles. 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 sufficient documentation establishing the relationship of reported luxury automobile expenses to patient care. Also, expenses associated with luxury vehicles are not reimbursable. Consequently, the automobile expenses were disallowed. | Rent B             | 005                        | 26,000                                | 99.99%                         | 25,997                            |
|   | Auto Ins.          | 005                        | 6,912                                 | 99.99%                         | 6,911                             |
|   | Sales Tax          | 005                        | 1,446                                 | 99.99%                         | 1,446                             |
| <b>Regulations: 10 NYCRR Sections 86-2.7, 86-2.17(a) &amp; (d), PRM-1 Sections 2102.3, 2105.9, 2300, &amp; 2304</b>   |                    |                            |                                       |                                |                                   |
| <b>5. SALES TAX EXPENSE DISALLOWANCE</b>  |                    |                            |                                       |                                |                                   |
| Certain products and services associated with energy sources provided to long-term care facilities are exempt from New York State sales tax if the facilities are considered residential. The reduced sales tax rate of zero percent applies to energy sources and services purchased for use at any long-term care facility which falls within the definition of a health related facility or nursing home as defined by public health law. Taxes for which there is an exemption available are not allowable for reimbursement purposes. Consequently, a disallowance was necessary.  | Sales Tax          | 005                        | 6,506                                 | 99.99%                         | 6,505                             |
| <b>Regulations: 10 NYCRR Section 86-2.17(a), TSB-A-90(60)S, Sales and Use-Rate of Tax-Residential Energy Sources-Long Term Treatment Facilities, PRM-1 Section 2122.2D</b>  |                    |                            |                                       |                                |                                   |
| <b>Property Expense Disallowances/(Allowances)</b>  |                    |                            |                                       |                                | <u>\$ 108,922</u>                 |
| <b>TOTAL AUDITED PROPERTY EXPENSE</b>   |                    |                            |                                       |                                | <u><u>\$3,598,039</u></u>         |