STATE OF NEW YORK
OFFICE OF THE MEDICAID INSPECTOR GENERAL
800 North Pearl Street
Albany, New York 12204

ANDREW M. CUOMO
GOVERNOR

JAMES C. COX
MEDICAID INSPECTOR GENERAL

October 23, 2014

[redacted]
St. Luke Residential Health Care Facility, Inc.
299 East River Road
Oswego, New York 13126

Re: Medicaid Rate Audit #10-7807
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. Luke Residential Health Care Facility, Inc.'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 May 8, 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 $37,450 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 $679,631. 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 #10-7807
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 10-7807 in all correspondence.

Sincerely,

[redacted]

Bureau of Rate Audit
Division of Medicaid Audit
Office of the Medicaid Inspector General

Enclosures

Attachment A – Facility Draft Audit Report Comments and OMIG Response
Attachment B – Summary of Changes from Draft Audit Report 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)
EXHIBIT IV - Reduction of Nursing Per Diem Add-On Adjustment
EXHIBIT V - Correction of Wage Equalization Factor

CERTIFIED MAIL [redacted]
RETURN RECEIPT REQUESTED

NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL
REMITTANCE ADVICE

NAME AND ADDRESS OF AUDITEE ST. LUKE RESIDENTIAL HEALTH CARE FACILITY, INC. 299 EAST RIVER ROAD OSWEGO, NEW YORK 13126	NPI #: [redacted] PROVIDER #: [redacted]
	AUDIT #10-7807
AMOUNT DUE: $679,631	AUDIT TYPE: [ ] PROVIDER [X] 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 #10-7807
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

ST. LUKE RESIDENTIAL HEALTH CARE FACILITY INC. - AUDIT #10-7807
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 – Building/Fixed Equipment Depreciation Adjustments

(a) Facility Comment

Disposition: Partially Agree
We understand that the Department of Health (DOH) feels that the telephone system required by a 200-bed provider of rehabilitative and long-term care services in the 21st century is similar to that required in 1983 by a 120-bed health related facility. We simply do not agree with the underlying theory given the technological requirements needed to operate today. Indeed, we are required to maintain multi-faceted access to DOH through the internet and mobile/cellular devices which did not exist during the outdated 1983 base year. However, we are unable to locate the underlying invoices to support a break-down of our advanced multi-line / intercom capable / internet accessible/ message retrieval / paging and voice communication system. This adjustment has been the subject of numerous Requests for Hearing and Article 78 litigation. Upon legal settlement of this issue we will abide by the ruling.

OMIG Response

The Facility's comment was rejected since the telephone expense is considered to be an operating expense and was already included in the operating portion of the rate.

Disposition: The draft audit report disallowances remain the same

(b) Facility Comment

Disposition: Disagree
We agree with the concept. In both cost reports, we indicated the amount of "Depr. on Non-Res Care Related Building" on line 009 of Schedule 8. From the capital rate sheet calculations, you can see that the DOH analysts have already adjusted for this in the 2007 rate. We request that OMIG's audit adjustment for 2007 ($33,917) be eliminated as it is already part of our capital calculation.

	2005/2007	2006/2008
RHCF-IV Sch. 10 & 11		
Land improvement	23,938	24,648
Building	327,196	327,196
Building improvement	414,530	406,463
Fixed Equipment	56,874	46,432
Amortize Organization Exp	28,176	28,176
c/c 001	850,714	832,915
Sch. 8 line 009	-70,355	
Allowable	780,359	

Rate sheet before Trace-Back Percent:		
Line 1 Depreciation	752,183	804,739
Line 58 Amortization Org Exp.	28,175	28,175
	780,358	832,914

We agree that the 2006 non-resident care depreciation expense was not properly disallowed from our 2008 rate.

2006 Depreciation to be Disallowed	70,354
Little Luke's - Soft Costs	-305
Little Luke's - Moveable Equipment	-17,480
Building	52,569
OMIG adjustment for 2008 capital	52,570
	(1)

We have filed a 2008 appeal with DOH requesting correction of this error. Please remove this disallowance from the draft audit report as DOH will eventually process the negative appeal.

OMIG Response

The Facility's response was partially accepted. The Bureau of Long Term Care Reimbursement (BLTCR) reduced the expense by $46,417 ($798,600- $752,183) in the rate year 2007 on line 1 of the schedule VI of the rate sheets. The disallowance of Little Luke and St. Fr. Hall building/fixed equipment depreciation expense of $52,570 less BLTCR adjustment of $46,417 was adjusted accordingly. The disallowances for M/E depreciation of Little Luke remained the same as well as the organizational/startup cost adjustment. Each audit adjustment needs to be applied accordingly to the reimbursed expenses as listed on the schedule VI of the rate sheets on different lines. It can't be combined all together and deducted from building/fixed equipment depreciation expense, line 1. The building/fixed equipment adjustment needs to be applied to the building/fixed equipment depreciation expense, line 1; the M/E depreciation adjustment needs to be applied to the M/E depreciation expense, line 12 and the organizational/startup cost adjustment needs to be applied to the organizational/startup costs, line 58 of the schedule VI of the rate sheet. The rate year 2008 disallowance remains the same and the Facility will need to withdraw the appeal regarding this matter.

Disposition: The Facility's response was partially recognized; the draft audit report disallowances were revised as shown on Attachment B.

(c) Facility Comment

Disposition: Disagree
The disallowed $400 for 2007 and $1,600 for 2008 relate to $8,000 seal coating of the parking lot with an estimated useful life of 5 years.

Within our 2005 audited financial statements, we state:
NOTE 2 – SIGNIFICANT ACCOUNTING MATTERS

It is the Corporations policy to capitalize expenditures for these items in excess of $300 and Ordinary maintenance and repairs are charged against income as incurred, while major improvements and betterments, which extend the useful life of the asset, are capitalized.

RHCF Accounting and Reporting Manual (ARM) states on page 1215 that

> "Normal repair and maintenance to maintain depreciable assets should not be capitalized if the life of the asset is not materially extended."

The HUD Handbook 4350.1 ("the Handbook") appendix 16 "ITEMS ELIGIBLE FOR REIMBURSEMENT FROM THE REPLACEMENT RESERVE" includes the following:

APPENDIX 16

Appliances	Range
Heating System	
Stokers	10-15
Oil Burners	7-12
FWA Gas Furnaces	15-20
Valves & Pumps	15-20
Baseboard Heaters	15-25
Boilers	20-30
Hot Water System	
Individual Storage Tank	7-15
Central Heating System	5-15
Miscellaneous	
Elevator	20-30
Sealcoating Asphalt	**5-10**
Resurfacing Asphalt	**10-15**
Swimming Pool	15-25
Smoke Detectors	

5/84

Furthermore, the Estimated Useful Lives of Depreciable Hospital Assets (revised 2008 edition) includes "Parking lot striping" as a capital asset. The painting of lines is given a 2 year life. Certainly if the panting and repainting of stripes is a capital asset, sealcoating which significantly extends the useful life of our parking lot is also a capital asset.

Based on our research, the average life of off street pavement is about 10 years. By sealing the pavement every 5 years, it will extend the life of the pavement indefinitely. Without the sealcoating, the life is greatly diminished. This is particularly true in Oswego, New York where the normal weather conditions and the resulting snow removal and salting procedures tend to accelerate the oxidation process. Thus sealcoating materially extends the useful life of this asset as described in the ARM.

The Home is in compliance with its' own policies and procedures regarding price levels for capitalization. HUD, AHA and ARM guidelines support our assertion that seal-coating is a capital item and not an operating expense. As a result, we respectfully request that this audit adjustment be eliminated.

<u>OMIG Response</u>

Based on the Facility's response, the adjustment was eliminated.

(d) Facility Comment

Disposition: Disagree
As detailed above in our response to #1b), our 2007 capital per diem included all costs reported in cost center 001 and also disallows the entire amount associated with non-resident services (Little Luke's child day care). The net amount of $730,358 has been allowed in our capital component. As such, this adjustment is not necessary.

OMIG Response

The Facility's response was rejected because the expense of the land improvement was excluded from the rate calculation. The building/fixed equipment depreciation on line 1, the allowed capital expense, was at $752,183 and it should have been at $769,968 as calculated below:

Land Imp.	$ 23,938
Building	327,196
Building Impr.	414,530
Non-movable	56,874
Subtotal	$822,538
Less Little Luke &St. Fr. Hall	(52,570)
Total	**$769,968**
Less telephone	(947)
Audited allowable deprec.expense	$769,020.

The land improvement expense was an allowable expense in the capital rate calculation. Therefore it was allowed and added back to the total allowed reimbursable expense.

Disposition: The draft audit report allowance remains the same.

Adjustment #5 – Movable Equipment Depreciation Disallowances

(a) Facility Comment

Disposition: Partially Agree
Please refer to our position on telephone equipment and expenses found under item #1a).

OMIG Response

The Facility's comment was rejected since the telephone expense was considered to be an operating expense and was already included in the operating portion of the rate.

Disposition: The draft audit disallowances remain the same

(b) Facility Comment

Disposition: Disagree
As stated in 1 (b) above, we agree with the theory of this adjustment. However, the combined $70,355 amount ($52,570 for building, $17,480 for movable equipment, and $305 for soft costs) was disallowed from building depreciation in the 2007 capital per diem. Therefore, all adjustments for 2007 based on 2005 must be eliminated.

We acknowledge that the $17,480 of non-reimbursable 2006 depreciation on movable equipment was not reflected in our 2008 rate. We have filed a 2008 appeal with DOH requesting correction of this error. Please remove this disallowance from the draft audit report as DOH will eventually process the negative appeal.

OMIG Response

The Facility's comment was rejected. The Little Luke child day care movable equipment expense was considered to be expense not related to a patient care and therefore excluded from the reimbursable expenses. It was listed on the schedule VI of the rate sheet as the separate expense item on line 12 and therefore it needed to be adjusted from that line of the expense. It wasn't and shouldn't be deducted from line 1 of schedule VI, building/fixed equipment depreciation expense since it was a separate expense listed on line 12.

The Little Luke's movable expense from 09/01/2002 listed under account #84001030, asset #900013, and historical cost of $134,017 depreciated at the rate of 13.04% every year was disallowed in the previous audit #07-3542, disallowance #5b. This expense has been disallowed every year starting from the rate year 2004 and will continue to be disallowed until it will be fully depreciated.

Disposition: The draft audit disallowances remain the same.

Adjustment #6 – Rental Expense Adjustments

(a) Facility Comment

Disposition:

For cost year/rate year 2005 & 2007:

We believe that OMIG did not inspect all invoices for Key Equipment Finance leases in cost center 004. We ask you to refer to the detail provided as "2005 Key Equipment lease.pdf" which details the 12 monthly payments for leases #23754 and #23258 and totals $11,870.28. Please eliminate the disallowance of the $453.62 rental payment.

We agree with the $802 disallowance in cost center 006.

For the GE capital leases, we erred by inputting the Hoyer lifts as $384 when in fact the expense was $484. We ask that the additional $100 be added to allowed capital.

For the remaining 2005 leases under the 6a caption, we ask that the auditors combine items listed as Key Equipment with Dell leases as our computer equipment was leased through one of Key Bank's entities.

Additionally, the computer server was allocated to various cost centers and thus the auditors were unable to find exact support for expenses in each cost center. We believe that detailed general ledger pages were provided to OMIG which showed that the IT expense allocation impacted many accounts.

	Dept.	Facility	Subtotal	Total
Dell Computer	5	550		
Dell Computer	5	1,166		
Dell Computer	5	1,508		
Dell Computer	6	528		
Dell Computer	11	475		
Dell Computer	13	849		
Dell Computer	14	337		
Dell Computer	17	443		
Dell Computer	19	1,725		
Dell Computer	21	1,134		

Dell Computer	51	11,870		
Dell Computer	58	304		
			20,888	
Key Equipment Finance	4	11,870		
Key Equipment Finance	4	9,844		
Key Equip Finance Lease	4	1,282		
Key Equipment Finance	5	4,352		
			27,348	
Computer equipment claimed				48,236
Invoices provided				
Key Equipment 2005	# 23754	6,427		
	# 23258	5,443		
	# 24737	20,340		
	# 26946	6,579		
	# 25259	1,282		
	# 23829	13,726		
			53,796	
Dell Finance 2005	-525	292		
	-524	378		
	-523	593		
	-522	813		
	-521	1,239		
	fee/credit	(756)		
	refunds	(881)		
			2,560	
Computer equip. supported				56,356

The Key Equipment leases are listed in "2005 Key Equipment lease.pdf" noted above. The Dell Finance information is presented as "2005 Dell invoices.pdf" and "2005 Dell refunds.pdf." As we have provided supporting documents that exceed the claimed on the cost report for 2005 used in setting the 2007 capital component, we ask that all disallowances be eliminated.

For cost year / rate year 2006 & 2008:

We agree with the adjustment for the Oswego Respiratory rentals. OMIG notes on their work-papers indicate that the facility provided additional information to support an increase of $9,168.

With respect to the rental from Universal Hospital for Bazooka beds, please see the attached documentation "Universal Hospital bed leases 2006.pdf" for 2006. We have identified all leases and segregated by nursing home. Those highlighted in blue are for Michaud Nursing Home and should be excluded from the allowable costs at St Luke's. From this, you can see that St. Luke's rental should be $63,499 for 2006. We ask that ($7,485) disallowance instead be replaced with an increase of $1,088. Please note documentation similar to this was provided and fully accepted for the 2005 leases.

For the remaining 2006 leases under the 6a caption, we ask that the auditors combine items listed as Key Equipment with Dell leases as our computer equipment was leased through one of Key Bank's entities. Additionally, the computer server was allocated to various cost centers and thus the auditors were unable to find exact support for expenses in each cost center. We believe that detailed general ledger pages were provided to OMIG which showed that the IT expense allocation impacted many accounts.

	Dept.	Facility	Subtotal	Total
Dell Computer	004	3,817		
Dell Computer	005	1,383		
Dell Computer	005	653		
Dell Computer	006	1,063		
Dell Computer	011	578		
Dell Computer	013	781		
Dell Computer	017	524		
Dell Computer	019	1,748		
Dell Computer	021	1,343		
Dell Computer	051	7,914		
			19,804	
Key Equipment (Printer)	004	864		
Key Equipment (Server)	004	6,427		
Key Equipment (Server)	004	9,209		
Key Equipment (Server)	004	4,492		
Key Equipment (Copier)	005	12,417		
Key Equipment (Kiosk)	051	15,454		
			48,863	
				68,667
Invoices provided				
Key Equipment 2006				
	# KP00023754	4,285		
	# KP00024737	18,645		
	# KP00023258	1,814		
	# KP00026946	10,109		
	# KP00024259	961		
	# KP00023829	12,582		
			48,396	
Dell Finance 2006				
	-525	776		
	-524	1,814		
	-523	1,527		
	-522	980		
	-521	690		
	fee/credit	(665)		
	refunds	(329)		
			4,792	
				53,188
				15,479

Please refer to the supporting documents "2006 Key invoices.pdf" "2006 Dell invoices.pdf" and "2006 Dell refunds.pdf." Due to the complexity surrounding the leased computer equipment and the cost center where the majority of the expense is originally reported, we feel that any adjustments should be made to Administrative or Fiscal services which has a trace-back of 93.42%.

OMIG Response

The Facility's response and documentation provided were partially accepted overall. The Key equipment disallowance of $453.62 was accepted and the total allowable expense was at $11,870, the sum of two leases ($6,427 lease #23754 +$5,443 lease #23258). The GE capital lease for the Hoyer lifts was accepted for an additional $100, allowing the total expense of $484. The Universal –Bazooka Beds of $61,706 of the total lease expense was accepted and the disallowance was adjusted accordingly. The Facility provided the documentation for the Key Equipment lease expense for the total of $53,796 but only $53,065 was an allowable expense. The Dell computer rental expense was allowable at $2,671 in the rate year 2007 and backed up by the documentation. Therefore the adjustments for the Key Equipment and Dell computer rentals were made accordingly. The allowable rental expense for the rate year 2008 for Dell Finance lease was adjusted by the fees, refunds and credit according to the provided documentation. The Key Equipment rental expense agreed with the facility total expenses.

The Facility requested that the trace back of 93.42% be used to calculate the Dell computer leases since they were the Administrative or Fiscal services. The Administrative or Fiscal services trace back for the rate year 2007 was at 93.35% and for 2008 was at 92.83% (per trace back reports). The trace back of 100% was applied to the allowed Dell computer leases on schedule VI of the rate sheet when the capital per diem was calculated therefore the same trace back rate was used to calculate the disallowed lease expenses on Exhibit III, disallowance 6a.

Disposition: The Facility's response was partially recognized; the draft audit report disallowances were revised as shown on Attachment B.

(b) Facility Comment

Disposition: Partially agree
Because of the IT expense allocation noted in A above, the adjustment cannot be made against the amount recorded in specific cost centers. As such, we have calculated what we feel represents the disallowed portion of the rental payments for our 2 Copiers - $20,206, 1 Bed Alarm System - $8,706

	2005 / 2007	2006 / 2008
Cost of St. Luke Lease #26946	28,912.00	
Total Lease Payments (953.70*35)	33,379.50	
Total Interest	4,467.50	
Interest per month	127.64	
Monthly Lease Payment	953.70	
Revised monthly lease payment	826.06	826.06
months	6	11
Allowable Lease	4,956.34	9086.66
Actual Payments	6,578.96	10,109.01
Disallowance	1,622.62	1,022.38

Please adjust both the amounts shown as disallowances

OMIG Response

The Facility's response was partially recognized because the amount that was included in the rates calculation for the two copier lease expenses were at $9,844 in rate year 2007 and $12,417 in the rate year 2008 and not as Facility calculated above at the actual payment amounts of $6,578.96 and $10,109.01 respectively. So the disallowances were calculated using the expense included in the rate calculation less the audited allowable expense. The audited allowable expense included the interest expense in the monthly payments.

Disposition: The Facility's response was partially recognized; the draft audit report disallowances were revised as shown on Attachment B.

(c) Facility Comment

Disposition: Partially Agree
Please refer to our position on telephone equipment and expenses found under item #1a.

OMIG Response

The Facility's comment was rejected since the telephone expense is considered to be an operating expense and was already included in the operating portion of the rate.

Disposition: The draft audit disallowances remain the same

(d) Facility Comment

Disposition: Partially agree
We believe the automotive expense in question were a legitimate part of our Administrator's compensation package and it was included in his taxable wages. Due to our location a few blocks from Lake Ontario, the Administrator must have a vehicle that is able to operate safely during winter storms. To ensure our Administrator can be onsite to meet his around-the-clock duties, we provide him with such a vehicle. Please remove this adjustment.

We are uncertain why the Pitney Bowes disallowance of $1,050 is within this grouping. Regardless, we agree that this disallowance is correct.

OMIG Response

The Facility's comment was rejected since the cost pertaining to personal use by the Administrator was not related to the direct patient care and was considered to be an operating expense. The Facility can choose to provide the vehicle for the Administrator but it should be considered as the additional benefit and should be included in the operating part under the payroll and benefit to the employees.

Disposition: The draft audit disallowances remain the same

(e) Facility Comment

Disposition: Partially agree
Due to the fact that our plow trucks are used by the other entities, we agree that there should be a disallowance of a portion of the rental expense for maintenance vehicles. It must be noted that the only time these trucks are used by Little Luke's childcare center and the Bishops' Commons is for snow plowing. As such, the number of months involved should also be taken into account. Accordingly, we assert that the RHCF allocation should be 87.13% and not the 69.29% based solely on number of parking spots:

	OMIG	# spots	# months	result	CORRECTED
St Luke' RHCFs	69.29%	185	12	2,220	87.13%
Bishops Commons	16.48%	44	4	176	6.91%
Little Luke's child care center	14.23%	38	4	152	5.96%
		267		2,548	

Please revise this adjustment for both 2005/2007 and 2006/2008.

OMIG Response

The Facility's response was accepted and the 87.13% rate was applied for the maintenance vehicles used by the Facility and the insurance expense for those vehicles.

Disposition: The Facility's response was recognized; the draft audit report disallowances were revised as shown on Attachment B.

Adjustment #7 – Organization Costs Disallowances

Facility Comment

Disposition: Disagree
As detailed in our response to 1(b) above, the $305 has already been disallowed by DOH rate setting. Combined depreciation for all three types of assets (building, equipment and soft costs) have been eliminated from the allowed depreciation as calculated for the 2007 capital per diem.

We were aware of the non-reimbursable nature of this expense. We have filed a 2008 appeal with DOH requesting correction of this error. Please remove this disallowance from the draft audit report as DOH will eventually process the negative appeal.

OMIG Response

The Facility's comment was rejected. The Little Luke, a child day care, soft costs expense was considered to be the expense not related to a patient care and therefore excluded from the reimbursable expenses. It was listed on the schedule VI of the rate sheet as the separate expense item on line 58 and therefore it needed to be adjusted from that line of the expense. It wasn't and shouldn't be deducted from line 1 of schedule VI, building/ fixed equipment depreciation expense since it was a separate expense listed on line 58. The Little Luke soft costs from 09/01/2002 listed under account #[redacted], asset # 900011, and historical cost of $7,630 depreciated at the rate of 4% every year was disallowed in previous audit #07-3542, disallowance #8. This expense has been disallowed every year starting from the rate year 2004 and will continue to be disallowed until it will be fully depreciated.

Disposition: The draft audit disallowances remain the same

Adjustment #8 – Auto Insurance Expense Disallowances

Facility Comment

Disposition: Partially Agree
Please refer to our position on Administrator's vehicle and related expenses found under item #6 d. Furthermore, we feel that the allocation update to maintenance vehicles (see #6e above) should also apply to the auto insurance. As such, we have updated the allowed amounts to reflect both items as follows:

	2005 / 2007	2006 / 2008
Initially disallowed	4,225	4,864
Add back: Admin car	-1,724	-1,649
Update Maintenance	-827	-843
Revised disallowance	1,674	2,372

Please correct the disallowed amount to the value shown.

OMIG Response

The Facility's comment was partially accepted. The cost pertaining to personal use of the vehicle by the Administrator was not related to the direct patient care and was considered to be an operating expense. The Facility can choose to provide the vehicle for the Administrator but it should be considered as the additional benefit for him and should be included in the operating part under the payroll and benefits to the employees. The allocation of 87.13 % for the auto insurance expense was applied to the maintenance vehicles and adjusted accordingly.

Disposition: The Facility's response was partially recognized; the draft audit report disallowances were revised as shown on Attachment B.

EXHIBIT IV COMMENTS

Per Diem Adjustment – Nursing Per Diem

Facility Comment

Disposition: Partially Agree
It is our understanding that the amount in question was actually comprised of three components in 2000:

Nursing Adjustment	$0.58
Physician Services	0.46
Nursing coverage	2.53
	$3.57

Following the rebasing of the operating component for St. Luke's, the add-ons for the physician services and the nursing coverage were no longer applicable. OMIG proposes to eliminate these items and we agree.

However, the original nursing adjustment was calculated using patient days associated with a 120 bed HRF. According to all Dear Administrator Letters (DAL) issued subsequently, this per diem add-on is to be trended. Because of our construction project, the bed size of St Luke's and patient days increased to reflect a 200 bed home. By taking the originally calculated amount (based on 120 beds) and dividing by patient days for a 200 bed provider, our per diem is being watered down to the point where the add-on that was $0.77 in 1991 had not returned to that level in our 2008 rate according to OMIG's own write-up. The add-on was intended to overcome shortfalls which would be ratably increased as we increased our staffing to accommodate the new bed size.

Year	Original amount	Patient Days	Per Diem	Per Diem Trended	Trend Factor	1991 Per Diem	Per Diem Trended
1990	27,877	42,764	$0.65	$0.72	10.77%		
1991	27,877	43,036	$0.65	$0.77	18.46%		
2007	27,877	69,681	$0.40	$0.70	75.00%	$0.65	$1.14
2008	27,877	68,980	$0.40	$0.71	77.50%	$0.65	$1.15

Therefore, we agree that the physician and nursing coverage add-ons should be eliminated. We agree that the nursing adjustment should carry forward but we request that the calculation be corrected to agree with the Department of Health's rate letters which indicate that the only change to this add-on would be trending. Please update the nursing adjustment to $1.14 and $1.15 for the two rate years at issue.

OMIG Response

The Facility's response was rejected. The calculation of the Facility's trended Nursing Per Diem of $1.14 for the rate 2007 and $1.15 for the rate 2008 was unsubstantiated. The Nursing per diem was paid on the number of patient days and not as the per diem grant amount for the rate year. So the higher the number of patient days per rate year, the higher the per diem amount paid to the Facility per rate year. The Facility new base year is from August 1, 2000 through July 31, 2001 and the Nursing per Diem in the rate year 2000 was at $0.58. The trended rate from the rate year 2000 through rate year 2007 was at $0.70 and the trended rate through the rate year 2008 was at $0.71. Please see below the OMIG's calculation of the trended Nursing per Diem:

Rate Year 2007 per Diem calculation	**Rate Year**	**Rate Year 2008 per Diem calculation**	**Rate Year**
$ 0.58	2000 amount	$ 0.58	2000 amount
1.028	2001 trend	1.028	2001 trend
1.016	2002 trend	1.016	2002 trend
1.023	2003 trend	1.023	2003 trend
1.027	2004 trend	1.027	2004 trend
1.034	2005 trend	1.034	2005 trend
1.032	2006 trend	1.032	2006 trend
1.025	2007 trend	1.025	2007 trend
		1.023	2008 trend
$ 0.70		**$ 0.71**	

Disposition: The draft audit disallowances remain the same.

ATTACHMENT B

ST. LUKE RESIDENTIAL HEALTH CARE FACILITY INC. - AUDIT #10-7807

SUMMARY OF CHANGES FROM DRAFT AUDIT REPORT TO FINAL AUDIT REPORT

EXHIBIT III - PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)	Rate Period	Draft Disallowance (Allowance)	Change	Final Disallowance (Allowance)
1. BUILDING/FIXED EQUIP. DEPR. ADJUSTMENTS	2007	$ 947	$ -	$ 947
	2008	1,248	-	1,248
	2007	34,744	(28,591)	6,153
	2008	52,570	-	52,570
	2007	400	(400)	-
	2008	1,600	(1,600)	-
	2007	(23,938)	-	(23,938)
5. MOVABLE EQUIP. DEPR. DISALLOWANCES	2007	255	-	255
	2008	325	-	325
	2007	17,480	-	17,480
	2008	17,480	-	17,480
	2007	241	-	241
	2008	473	-	473
	2007	128	-	128
	2008	545	-	545
6. RENTAL EXPENSE ADJUSTMENTS	2007	454	(454)	-
	2008	(6,408)	982	(5,426)
	2007	4,352	(2,122)	2,230
	2008	-	994	994
	2007	802	-	802
	2008	1,063	-	1,063
	2008	578	-	578
	2008	781	-	781
	2008	524	-	524
	2008	1,748	-	1,748
	2007	1,343	-	1,343
	2008	7,914	-	7,914
	2007	(9,168)	-	(9,168)
	2008	2,872	-	2,872
	2007	7,485	(6,780)	705
	2007	15,554	(11,180)	4,374
	2007	4,918	(921)	3,997
	2008	2,564	(638)	1,926
	2007	8,555	-	8,555
	2008	2,541	-	2,541
	2007	5,208	-	5,208
	2008	5,208	-	5,208
	2008	1,050	-	1,050
	2007	3,702	(1,807)	1,895
	2008	4,578	(2,614)	1,964
	2008	4,206	(3,362)	844
	2007	7,032	-	7,032
	2008	14,318	-	14,318
	2008	2,500	-	2,500
	2008	7,247	-	7,247
7. ORGANIZATION COSTS DISALLOWANCES	2007	305	-	305
	2008	304	-	304
8. AUTO INSURANCE EXPENSE DISALLOWANCES	2007	4,225	(803)	3,422
	2008	4,864	(843)	4,021
EXHIBIT IV - PER DIEM ADJUSTMENT				
NURSING PER DIEM	01/01/07 - 03/31/07	3.50	-	3.50
	04/01/07 - 12/31/07	3.48	-	3.48
	01/01/08 - 03/31/08	3.57	-	3.57
	04/01/08 - 12/31/08	3.53	-	3.53

Note: The adjustments shown above only reflect those adjustments that were disputed by the Facility in its draft response. All other adjustments remain the same as shown in the draft audit report.

ST. LUKE RESIDENTIAL HEALTH CARE FACILITY INC. - AUDIT #10-7807
RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008
SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

RATE PERIOD	ISSUED PART B & D NON-ELIGIBLE RATES*	FINAL PART B & D NON-ELIGIBLE RATES	RATE DECREASE (INCREASE)	MEDICAID DAYS	MEDICAID OVERPAYMENT
01/01/07 - 03/31/07	$182.53	$175.33	$7.20	11,515	$ 82,908
04/01/07 - 06/30/07	181.69	174.51	7.18	11,054	79,368
07/01/07 - 08/31/07	172.06	164.88	7.18	7,459	53,556
09/01/07 - 12/31/07	172.06	164.88	7.18	14,314	102,775
01/01/08 - 03/31/08	174.25	165.85	8.40	10,603	89,065
04/01/08 - 06/30/08	171.17	162.81	8.36	10,728	89,686
07/01/08 - 12/31/08	174.72	166.36	8.36	21,803	182,273
TOTAL MEDICAID OVERPAYMENT					**$ 679,631**

* 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.

EXHIBIT II

ST. LUKE RESIDENTIAL HEALTH CARE FACILITY INC. - AUDIT #10-7807
RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 64 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.

RATE PERIOD	Issued Medicare Part B & D Non-Eligible Rates *
01/01/07 - 03/31/07	$ 183.12
04/01/07 - 06/30/07	182.28
07/01/07 - 08/31/07	172.65
09/01/07 - 12/31/07	172.65
01/01/08 - 03/31/08	174.85
04/01/08 - 06/30/08	171.77
07/01/08 - 12/31/08	175.32

* 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. LUKE RESIDENTIAL HEALTH CARE FACILITY INC. - AUDIT #10-7807
RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2007	RATE PERIODS 2008
Property Expense Allowed per HE-12B					$ 1,792,228	$ 1,717,082
Less Disallowances/(Allowances):						
1. BUILDING/FIXED EQUIPMENT DEPRECIATION ADJUSTMENTS						
a) The Bureau of Long Term Care Reimbursement (BLTCR) 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	$ 947	97.62%	924	
	Bldg. Depr.	001	1,248	97.71%		1,219
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. Costs pertaining to the Little Luke Building are not related to patient care and, therefore, should not be included in the Facility's rate computation. Consequently, disallowances were necessary. **Regulations: 10 NYCRR Sections 86-2.17(a) and (d), and 86-2.19, PRM-1 Section 2102.3**	Bldg. Depr.	001	6,153	97.62%	6,007	
	Bldg. Depr.	001	52,570	97.71%		51,366
c) Based on the Facility's response, the adjustment was eliminated						
d) 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. Depreciation on land improvements determined per audit varied from the expense allowed in the rate, resulting in an allowance. **Regulations: 10 NYCRR Sections 86-2.17(a), 86-2.19(a), PRM-1 Sections 2300 and 2304**	Bldg. Depr.	001	(23,938)	97.62%	(23,368)	
2. MORTGAGE INTEREST EXPENSE DISALLOWANCES						
a) According to the Bureau of Long Term Care Reimbursement (BLTCR) capital cost methodology, mortgage interest expense is reimbursed on a rate year basis. Audited rate year interest expense varied from the mortgage interest allowed in the promulgated rates resulting in disallowances. **Regulation: 10 NYCRR Section 86-2.20(a)**	Mort. Int.	003	3,664	97.62%	3,577	
	Mort. Int.	003	3,068	97.71%		2,998
b) Bond premium is recorded as a deferred credit, and amortized proportionately over the life of the bonds, the portion applicable to each reporting period is a reduction of allowable interest. This amortization resulted in adjustments. **Regulation: 10 NYCRR Section 86-2.19(b)**	Mort. Int.	003	13,766	97.62%	13,438	
	Mort. Int.	003	13,766	97.71%		13,451

ST. LUKE RESIDENTIAL HEALTH CARE FACILITY INC. - AUDIT #10-7807
RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2007	RATE PERIODS 2008
3. PROPERTY INSURANCE ADJUSTMENTS						
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 property insurance varied from the insurance expense allowed in the rate resulting in adjustments. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.2, 2300 and 2304**	Prop Ins	005	1,816	93.26%	1,694	
	Prop Ins	005	(1,517)	93.42%		(1,417)
4. BOND DEFEASANCE FEE ALLOWANCE						
Allowable bond defeasance fees were erroneously omitted from the 2008 rate calculation. Consequently, an allowance was necessary for rate year 2008. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Section 233**	Other	003	(1,500)	97.71%		(1,466)
5. MOVEABLE EQUIPMENT DEPRECIATION DISALLOWANCES						
a) The Bureau of Long Term Care Reimbursement (BLTCR) 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.	ME Depr.	002	255	98.20%	250	
	ME Depr.	002	325	97.46%		317
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. Costs pertaining to the Little Luke moveable equipment are not related to patient care in the Facility and should not be included in the Facility's rate computation. Consequently, disallowances were necessary. **Regulations: 10 NYCRR Sections 86-2.17(a) and (d), 86-2.19, PRM-1 Section 2102.3**	ME Depr.	002	17,480	98.20%	17,165	
	ME Depr.	002	17,480	97.46%		17,036
c) The provider incorrectly capitalized costs that should have been expensed as operating costs because they were for repairs, inventory, or supplies. These expenditures should have been expensed in accordance with generally accepted accounting principles and the guidelines and definitions included in the RHCF Accounting and Reporting Manual. Accordingly, the depreciation expense applicable to these costs was disallowed. **Regulations: 10 NYCRR Sections 86-2.17(a), 86-2.4, 451.168, 451.181, and 451.230, PRM-1 Section 2806.2, RHCF Accounting and Reporting Manual**	ME Depr.	002	241	98.20%	237	
	ME Depr.	002	473	97.46%		461

ST. LUKE RESIDENTIAL HEALTH CARE FACILITY INC. - AUDIT #10-7807
RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

5. MOVEABLE EQUIPMENT DEPRECIATION DISALLOWANCES (CONT.)

d) 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. Facility equipment was used to do laundry for the Michaud Nursing Home. This is not related to patient care in the Facility. Consequently, the depreciation related to this equipment was disallowed.
Regulations: 10 NYCRR Sections 86-2.17(a) and (d), 86-2.19, PRM-1 Section 2102.3

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2007	RATE PERIODS 2008
ME Depr.	002	128	98.20%	126	
ME Depr.	002	545	97.46%		531

6. RENTAL EXPENSE ADJUSTMENTS

a) 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 fully document reported equipment rentals. Therefore, adjustments were necessary.
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 and 2304

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2007	RATE PERIODS 2008
Rent B	004	(5,426)	93.42%		(5,069)
Rent C	005	2,230	93.26%	2,080	
Rent C	005	994	93.42%		929
Rent D	006	802	97.75%	784	
Rent D	006	1,063	97.84%		1,040
Rent H	011	578	98.13%		567
Rent I	013	781	100.00%		781
Rent K	017	524	100.00%		524
Rent L	019	1,748	100.00%		1,748
Rent M	021	1,343	100.00%		1,343
Rent P	051	7,914	100.00%		7,914
Rent P	051	(9,168)	100.00%		(9,168)
Rent P	051	2,872	100.00%		2,872
Rent P	051	705	100.00%		705
Rent P	051	4,374	100.00%	4,374	

b) The Facility was reimbursed lease payments in the promulgated rates on equipment that was sold by the Facility and then leased back. Only the cost of ownership is allowable in sale/leaseback transactions. Consequently, disallowances were necessary for expenses in excess of the cost of ownership.
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Section 110

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2007	RATE PERIODS 2008
Rent B	004	3,997	93.26%	3,728	
Rent C	005	1,926	93.42%		1,799

c) 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 equipment rental expense in the property component amounts to duplicate reimbursement. Consequently, disallowances were necessary.
Regulation: 10 NYCRR Section 86-2.17(d)

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2007	RATE PERIODS 2008
Rent C	005	8,555	93.26%	7,978	
Rent C	005	2,541	93.42%		2,374

ST. LUKE RESIDENTIAL HEALTH CARE FACILITY INC. - AUDIT #10-7807
RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2007	2008
6. RENTAL EXPENSE ADJUSTMENTS (CONT.)						
d) 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. Costs pertaining to an automobiles provided for personal use by the Administrator is not related to patient care and was disallowed. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3 and 2105.9**	Rent C	005	5,208	93.26%	4,857	
	Rent C	005	5,208	93.42%		4,865
	Rent C	005	1,050	93.42%		981
e) 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. Furthermore, the cost information must be current, accurate, and in sufficient detail. The movable equipment rental expense included lease payments on vehicle rentals. The Facility did not provide adequate documentation to substantiate vehicle usage for nursing home business. Only documented nursing home business use is allowable in the property component. Consequently, disallowances were necessary. **Regulations: 10 NYCRR Sections 86-2.17 (a) and (d), PRM-1 Sections 2102.3 and 2105.9**	Rent E	007	1,895	97.75%	1,852	
	Rent E	007	1,964	97.84%		1,922
	Rent I	013	844	100.00%		844
f) 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 truck rental expenses, which were solely for the transport of Michaud Nursing Home's laundry to and from the St. Luke Facility, were disallowed as they were not related to St Luke patient care. **Regulations: 10 NYCRR Sections 86-2.17(a) and (d), PRM-1 Section 2102.3**	Rent F	007	7,032	98.92%	6,956	
	Rent F	009	14,318	98.92%		14,163
g) The Facility reported various expenses in rent expense that were operating in nature. These types of expenses are not includable in property costs. Consequently, these expenses were disallowed from the property component of the rate. **Regulations: 10 NYCRR Sections 86-2.17(a), 86-2.4, 451.168, 451.181, 451.230, PRM-1 Section 2806.2**	Rent M	021	2,500	100.00%		2,500
	Rent O	043	7,247	98.03%		7,104
7. ORGANIZATION COSTS DISALLOWANCES						
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. Reported organization costs pertaining to finance fees for Little Luke Day Care program are not related to patient care of the Facility and should not be included in the Facility's rate computation. Consequently, disallowances were necessary. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3 and 2132**	Org. Costs	001	305	97.62%	298	
	Org. Costs	001	304	97.71%		297

ST. LUKE RESIDENTIAL HEALTH CARE FACILITY INC. - AUDIT #10-7807
RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS 2007	2008
8. AUTO INSURANCE EXPENSE DISALLOWANCES						
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. Costs of auto insurance on an automobile provided for personal use by the Administrator are not related to patient care and were disallowed. **Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3 & 2105.9**	Auto Ins.	022	3,422	100.00%	3,422	
	Auto Ins.	023	4,021	100.00%		4,021
9. INCOME OFFSET DISALLOWANCE						
Operating costs must be reduced by the costs of services and activities which are not properly chargeable to patient care. In the event that the Commissioner of Health determines that it is not practical to establish the costs of such services and activities, the income derived there from may be substituted for the costs of these services or activities. The Facility receives revenue in exchange for providing cable service to the residents. The portion of the Facility's property expenses associated with the provision of these services is not an allowable expense. As it is not practical to establish the specific cost associated with the provision of such services, the OMIG has substituted a portion of the income derived and included it as an income offset. **Regulation: 10 NYCRR Section 86-2.18**	Inc. Offset	002	4,269	97.46%		4,161
Total Property Expense Disallowances/(Allowances)					$ 56,379	$ 133,713
TOTAL AUDITED PROPERTY EXPENSE					$ 1,735,849	$ 1,583,369

ST. LUKE RESIDENTIAL HEALTH CARE FACILITY INC. - AUDIT #10-7807
RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008
PER DIEM ADJUSTMENT

PER DIEM ADJUSTMENT – NURSING PER DIEM

The Facility shall receive the Nursing Salary Adjustment if the Facility's direct cost component per diem is established at the ceiling price. Therefore $0.58 has been included in the Facility's 08/01/00 and subsequent rates as a trendable miscellaneous adjustment. The per diem allowance of $0.58 was calculated by the Bureau of Long Term Care Reimbursement (BLTCR) as a per diem allowance for the Medicaid impact of appeal #114473. This $0.58 should have replaced the per diem add-on in the promulgated rate. Instead, the Nursing per diem allowance of $0.58 was incorrectly added to the already existing Nursing adjustment. The $0.58 has been trended forward to 2007 and 2008, resulting in $0.70 and $0.71 respectively, and compared to the adjustment allowed in the rate. The difference represents an overpayment to the Facility. Therefore, disallowances were necessary.

Regulations: 10 NYCRR Section 86-2.10(r) and Bureau of Long Term Care Rate Setting Methodology

	PER DIEMS		PER DIEM
RATE PERIODS	PER HE-12B	PER AUDIT	DECREASE (INCREASE)
01/01/07 - 03/31/07	$4.20	$0.70	$3.50
04/01/07 - 12/31/07	4.18	0.70	3.48
01/01/08 - 03/31/08	4.28	0.71	3.57
04/01/08 - 12/31/08	4.24	0.71	3.53

ST. LUKE RESIDENTIAL HEALTH CARE FACILITY INC. - AUDIT #10-7807
RATE PERIODS JANUARY 1, 2007 THROUGH DECEMBER 31, 2008
CORRECTION OF WAGE EQUALIZATION FACTOR

The Wage Equalization Factor is a calculation used to neutralize the effect of the differing labor markets on Facilities' expenditures. It is used so that aggregate Facility costs within a peer group can be compared to a specific Facility's price. To calculate Facility specific WEFs, average regional wage prices for RNs, LPNs, Aides/Orderlies and Nursing Administration are determined and, along with specific Facility information, are inserted into the equation to calculate a WEF. The WEF per diem is automatically calculated by the rate system and should not have been included as an additional per diem. Due to this duplication, an adjustment was necessary.

Regulations: 10 NYCRR Sections 86-2.10, 86-2.17(a) and BLTCR Rate Setting Methodology

WEF DISALLOWANCE

	PER DIEMS		PER DIEM
RATE PERIODS	PER HE-12B	PER AUDIT	DECREASE (INCREASE)
01/01/07 - 12/31/2007	$2.89	$ -	$2.89
01/01/08 - 12/31/2008	2.89	-	2.89