STATE OF NEW YORK
OFFICE OF THE MEDICAID INSPECTOR GENERAL
90 Church Street, 14th Floor
New York, New York 10007

ANDREW M. CUOMO
GOVERNOR

JAMES C. COX
ACTING MEDICAID INSPECTOR GENERAL

August 30, 2011

[redacted]
Brookhaven Rehabilitation and Healthcare Center
250 Beach 17th Street
Far Rockaway, New York 11691

Re: Medicaid Rate Audit #04-C04-1012
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 Brookhaven Rehabilitation and Healthcare Center's (the "Facility") Medicaid rates for the rate period May 1, 2000 through December 31, 2005. 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 revised draft audit report dated November 1, 2007, you identified specific audit findings with which you disagreed. Your comments have been considered and the report has been either revised accordingly and/or amended to address your comments. Consideration of your comments resulted in a reduction of $1,714,193 to the Medicaid overpayment. Based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is $908,753. This overpayment is subject to Department of Health (the "DOH") and Division of Budget (the "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 1237
File #04-C04-1012
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 15% withhold after 20 days until the agreement is established. The OMIG may require financial information from you to establish the terms of the repayment agreement. If additional information is requested, the OMIG must receive the information within 30 days of the request or a 50% withhold will be imposed. 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. The OMIG will notify you no later than 5 days after initiating such action. If you wish to enter into a repayment agreement, you must forward your written request within 20 days to the following:

Bureau of Collections Management
New York State Office of the Medicaid Inspector General
800 North Pearl Street
Albany, New York 12204
[redacted]

If within 20 days, you fail to make full payment or contact the OMIG to make repayment arrangements, the OMIG will establish a withhold equal to 50% of your Medicaid billings to secure payment and liquidate the overpayment amount, interest and/or penalty, not barring any other remedy allowed by law. The OMIG will provide notice to you no later than 5 days after the withholding of any funds.

In addition, if you receive an adjustment in your favor while you owe funds to the State, such adjustment will be applied against the amount owed.

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 [redacted] of 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. If you have any questions regarding the above, please contact [redacted] at [redacted]

Sincerely,

[redacted]
Rate Audit Manager
Division of Medicaid Audit
Audit Management and Development
Office of the Medicaid Inspector General

Enclosure

Certified Mail # [redacted]
Return Receipt Requested

Ver-13.0

NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL
REMITTANCE ADVICE

NAME AND ADDRESS OF AUDITEE

Brookhaven Rehabilitation
and Healthcare Center
250 Beach 17th Street
Far Rockaway, New York 11691

AMOUNT DUE: $908,753

NPI #: [redacted]
PROVIDER #: [redacted]

AUDIT #04-C04-1012

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 1237
File #04-C04-1012
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

NEW YORK STATE
OFFICE OF THE MEDICAID INSPECTOR GENERAL

Andrew M. Cuomo
Governor

James C. Cox
Acting Medicaid Inspector General

FINAL AUDIT REPORT

BROOKHAVEN REHABILITATION AND HEALTHCARE CENTER
250 BEACH 17TH STREET
FAR ROCKAWAY, NEW YORK 11691

MEDICAID RATE AUDIT
#04-C04-1012

FOR THE RATE PERIOD MAY 1, 2000
THROUGH DECEMBER 31, 2005

ISSUED: AUGUST 30, 2011

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<u>EXHIBITS AND SCHEDULES</u>

BACKGROUND

Brookhaven Rehabilitation and Healthcare Center is a 298 bed proprietary nursing facility (NF) located in Far Rockaway, New York. The facility received reimbursement from the Medicaid program for the period May 1, 2000 through December 31, 2005 by a daily rate established by the Department of Health. This rate consisted of operating and capital components as well as other various per diems. The operating component included in the May 1, 2000 through December 31, 2005 rates was based on the May 1, 2000 to April 30, 2001 base period. The Department of Health used the property expenses reported in May 1, 2000 through April 30, 2001 as the basis for the May 1, 2000 through December 31, 2002 rates, and the RHCF-4 Reports for 2001, 2002 and 2003 were used for the property expenses in the 2003, 2004 and 2005 rates, respectively.

The facility's Medicaid utilization ranged from approximately 90 to 91 percent for the period under review and the Medicaid per diem rates audited were as follows.

	Medicare Part B	
Rate Period	**Non-Eligible**	**Eligible**
05/01/00-12/31/00	$179.39	$177.59
01/01/01-12/31/01	185.26	183.41
01/01/02-03/31/02	190.21	188.31
04/01/02-12/31/02	191.86	189.96
01/01/03-12/31/03	192.56	190.61
01/01/04-03/31/04	202.88	200.89
04/01/04-12/31/04	202.88	200.89
01/01/05-06/30/05	212.87	210.84
07/01/05-12/31/05	210.20	208.17

This audit included consideration of granted rate appeals reflected in the rates audited. Differences between the above rates and the "issued" rates used for Medicaid impact on Exhibit I of this report represent rate changes made subsequent to our audit. These changes are subject to future audit by the Office of the Medicaid Inspector General.

This audit was completed in accordance with the State of New York Official Compilation of Codes, Rules and Regulations (18 NYCRR Part 517 and 10 NYCRR Part 86-2), the Centers for Medicare and Medicaid Services Provider Reimbursement Manual (PRM-1), and the New York State Residential Health Care Facility (RHCF) Accounting and Reporting Manual.

PURPOSE AND SCOPE

The purpose of the audit was to identify Medicaid overpayments associated with the May 1, 2000 through December 31, 2005 promulgated Medicaid rates. The audit included various tests and reviews of selected fiscal and statistical data used in the computation of the Medicaid rates under review. The Medicare Part B offset was not within the scope of the review and may be examined as part of a future audit.

SUMMARY

Our findings applicable to the May 1, 2000 through December 31, 2005 Medicaid rates resulted in a Medicaid overpayment of $908,753 as detailed in Exhibit I. The overpayment was due to operating expense disallowances of $127,646 for May 1, 2000 through December 31, 2003 rate periods and $307,726 for 2004 through 2005 rate periods (summarized on Schedule A), capital cost disallowances/(allowances) of $(49,950) in the May 1, 2000 through December 31, 2005 rates (summarized on Schedule B), and an adjustment to the Health Personnel Recruitment and Retention (HRR) (see Adjustment C). The overpayment does not reflect the impact on rates subsequent to 2005 that utilized May 1, 2000 through April 30, 2001 as the base year for operating expense. Any overpayment resulting from operating expense disallowances in this report for rates subsequent to 2005 will be addressed in the future.

DETAILED FINDINGS

A. Operating Expenses Disallowances/(Allowances)

1. Equipment Rental Expenses

According to 10 NYCRR Section 86-2.10, the allowable capital component shall include allowable capital costs determined in accordance with Sections 86-2.19, 2.20, 2.21 and 2.22, and costs of other allowable items. The amount of $17,964 consisting of rental expenses of $15,396 for a machine utilized by the nursing department, fees and expenses of $1,550 pertaining to the equipment rental contracts and rental expenses of $1,018 for Ricoh copiers were reclassified to property expenses (see Adjustment B.1). PRM-1, Section 2300 requires that providers receiving payment on the basis of reimbursable costs must provide adequate cost data based on financial and statistical records which can be verified on audit. The cost data must be based on an approved method of cost finding and on the accrual basis of accounting. 10 NYCRR Section 86-2.4 states that the completion of the financial and statistical report forms shall be in accordance with generally accepted accounting principles as applied to the residential health care facility. Brookhaven Rehabilitation included $1,241 of rental expenses that did not pertain to the base year. Therefore, these expenses were disallowed.

Provider Comment:
None

Auditor Response:
The Provider did not respond, therefore the adjustment remains unchanged.

2. Unsubstantiated Expenses

PRM-1, Section 2300 requires providers receiving payment on the basis of reimbursable costs to provide adequate cost data based on financial and statistical records which can be verified on audit. 10 NYCRR Section 86-2.17(a) states that for any expense to be allowable it must be related to patient care. Brookhaven Rehabilitation and Healthcare Center was unable to locate the documentation necessary to support $23,350 of reported expenses.

This amount was disallowed as follows:

Fiscal Supplies	$ 3,157
Maintenance Supplies	6,656
Housekeeping Supplies	13,537
Total	$23,350

Provider Comment:
None

Auditor Response:
The provider did not respond, therefore the adjustment remains unchanged.

3. Leasehold Improvements and Moveable Equipment Capitalized and Reclassified

According to 10 NYCRR Section 86-2.10, the allowable capital component shall include allowable capital costs determined in accordance with Sections 86-2.19, 2.20, 2.21 and 2.22, and costs of other allowable items. Brookhaven Rehabilitation included in operating expenses the amount of $360,881 consisting of $105,813 of Leasehold Improvements, $221,197 of Moveable Equipment, and carting dumpster expenses of $33,871 for the building renovation. These costs were reclassified to property expenses because of the nature of the items.

Provider Comment:
The Department has reclassified and capitalized many free-standing assets that are under $1,000.

Please see the enclosed ruling by New York State in which the capitalization policy of Medicaid is determined by HCFA-15 Sections 108.2 and 108.1 (Item 1). The latest Medicare guideline states that any stand alone asset under $5,000 need not be capitalized (Item 2). Also, Medicare has eliminated the aggregate threshold for assets purchased in quantity (Item 3).

At Brookhaven, the capitalization policy is, only free-standing assets with a useful life of at least two years and over $1,000 must be capitalized (Item 4). Recently, in the matter of the appeal of Kingsbridge Heights Rehabilitation and Care Center (Provider ID# [redacted], a decision following a hearing was rendered on September 25, 2007. The decision clearly allowed Kingsbridge to follow the Medicare guidelines set forth on HCFA-15, and expense as operating costs all free-standing items which are in accordance within the capitalization policy of the facility.

Similarly, as Medicare has eliminated any aggregate threshold for assets purchased in quantity, the Department could not group various assets together at all and, as a result, was unable to reclassify those aggregate costs as property.

As a result, we request that the Department review this disallowance and reinstate the expenses as operating expense per the facility capitalization policy.

Also, this will affect Adjustment B-4.

Auditor Response:
The reclassifications for $105,813 of Leasehold Improvements and $221,197 of Moveable Equipment were deleted.

The reclassification of $33,871 for the rental of carting dumpsters was maintained because the expenses relate to the building renovation. This was not a routine operating expense. Also, the provider's comments did not address this issue.

These changes affect Adjustments A.8 and B.4.

4. Related Company Expenses

According to PRM-1, Section 2102.3, costs not related to patient care are costs which are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities. 10 NYCRR Section 86-2.17(a) states that for any expense to be allowable it must be related to patient care. The provider included related company expenses of $31,835 that pertained to automobile leases, insurance, parking and tolls. Also, it could not be determined how cell phone expense of $494 was related to patient care at Brookhaven. The total of $32,329 was disallowed because the expenses were not substantiated as related to patient care. PRM-1, Section 2300 requires providers receiving payment on the basis of reimbursable costs must provide adequate cost data based on financial and statistical records which can be verified on audit. The cost data must be based on an approved method of cost finding and on the accrual basis of accounting. 10 NYCRR Section 86-2.4 states that the completion of the financial and statistical report forms shall be in accordance with generally accepted accounting principles as applied to the residential health care facility. Legal fees of $7,890 and general expenses of $2,464 were disallowed because they pertain to the period prior to the base year. Based on the rate sheet methodology, the allocation percentage for reported related party expenses was recomputed due to the Provider understating income in the amount of $10,255. The original rate sheet percentage of 47.59% was recomputed to 46.93%. The actual expenses of $744,547 were reduced by $42,683 ($32,329 + $7,890 + $2,464, above) to arrive at allocable expenses of $701,864. The audited allowable related party expenses were determined to be $329,385 ($701,864 x .4693). The rate sheets allowed $354,269. The difference of $24,884 ($354,269 less $329,385) was disallowed.

Provider Comment:
None

Auditor Response:
The provider did not respond, therefore the adjustment remains unchanged.

5. Travel and Auto Expenses

According to PRM-1, Section 2102.3, costs not related to patient care are costs which are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities. 10 NYCRR Section 86-2.17(a) states that for any expense to be allowable it must be related to patient care. The amount of $9,718 for auto expenses was disallowed because the usage of the automobiles was not substantiated as to the relationship to patient care.

Provider Comment:
None

Auditor Response:
The provider did not respond, therefore the adjustment remains unchanged.

6. Advertising

PRM-1, Section 2136.2 states that the costs of fundraising, including advertising, promotional or publicity incurred for such a purpose, are not allowable. Costs of advertising to the general public which seeks to increase patient utilization of the provider's facilities are not allowable. According to PRM-1, Section 2102.3, costs not related to patient care are costs which are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities. 10 NYCRR Section 86-2.17(a) states that for any expense to be allowable it must be related to patient care. Brookhaven Rehabilitation reported expenses of $3,812 for umbrellas and tote bags that were considered to be promotional advertising and the expenses were disallowed.

Provider Comment:
None

Auditor Response:
The provider did not respond, therefore the adjustment remains unchanged.

7. Fiscal Supplies Inventory

10 NYCRR Section 86-2.4 states that the completion of the financial and statistical report forms shall be in accordance with generally accepted accounting principles as applied to the residential health care facility. Brookhaven Rehabilitation did not take an inventory of the fiscal supplies at the end of the base period, April 30, 2001. Based on audit, the amount of $12,806 was determined to be inventory and was removed from the expense account.

Provider Comment:
None

Auditor Response:
The provider did not respond, therefore the adjustment remains unchanged.

8. Elimination of Sales Tax Expense from the Operating Component of the Rate

During the period of our audit (2004 through 2005 rates), the provider reported and was reimbursed for all sales tax expense in the property portion of the rate. However, the sales tax expense associated with base year operating expense was included in the appropriate operating expense category and reimbursed in the operating per diem. By electing to change reporting and including all sales tax in property, the facility is being reimbursed for sales tax expense in both the operating and property per diems. In order to eliminate the duplication and in accordance with 10 NYCRR Section 86-2.17, sales tax expense was eliminated from the May 1, 2000 through April 30, 2001 base period operating expense for the 2004 and 2005 rates as shown below.

Direct Expenses	
Activities	$ 5,907
Social Service	512
Physical Therapy	10,336
Occupational Therapy	788
Central Service Supply	39,251
Subtotal Direct	$ 56,794
Indirect Expenses	
Fiscal	15,237
Administrative	6,342
Plant, Operation, Maintenance	26,534
Grounds	682
Security	685
Laundry and Linen	19,790
Housekeeping	27,640
Kitchen Supplies	9,253
Patient Food Purchase Services	3,295
Subtotal Indirect	$109,458
Non-Comparable Expenses	
Utilities	$ 13,828
Total	$180,080

Provider Comment:
None

Auditor Response:
The provider did not respond. However, since there were changes to Adjustment A.3 that affected sales tax expenses, it was necessary to modify the amounts for the sales tax adjustment.

B. Property Expense Disallowances/(Allowances)

1. Reclassified Equipment Rental Expense

The rental expenses of $17,964 were reclassified from operating expenses and allowed in the May 1, 2000 through December 31, 2002 property component of the rate because of the nature of the expense. (See Adjustment A.1)

Provider Comment:
None

Auditor Response:
The provider did not respond, therefore the adjustment remains unchanged.

2. Prior Period Expenses

PRM-1, Section 2300 requires providers receiving payment on the basis of reimbursable costs must provide adequate cost data based on financial and statistical records which can be verified on audit. The cost data must be based on an approved method of cost finding and on the accrual basis of accounting. 10 NYCRR Section 86-2.4 states that the completion of the financial and statistical report forms shall be in accordance with generally accepted accounting principles as applied to the residential health care facility. Brookhaven Rehabilitation reported thirteen monthly payments for Working Capital Interest Expense in the 2001 cost year. The prior period payment of $11,295 was disallowed.

Provider Comment:
None

Auditor Response:
The provider did not respond, therefore the adjustment remains unchanged.

3. Auto Expenses

According to PRM-1, Section 2102.3, costs not related to patient care are costs which are not appropriate or necessary and proper in developing and maintaining the operation of patient care facilities. 10 NYCRR Section 86-2.17(a) states that for any expense to be allowable it must be related to patient care. The auto lease and insurance expense were disallowed because the expenses were not substantiated as related to patient care. The amounts for each rate year were as follows:

	Rate Periods		
	05/01/00-12/31/02	2003	2005
Auto Lease	$1,500	$1,699	$ -0-
Auto Insurance	-0-	-0-	3,855
	$1,500	$1,699	$3,855

Provider Comment:
None

Auditor Response:
The provider did not respond, therefore the adjustment remains unchanged.

4. Leasehold Improvements and Moveable Equipment

The amount of $360,881 consisting of Leasehold Improvements of $105,813, carting expenses of $33,871 and Moveable Equipment of $221,197 were reclassified from operating expenses and allowed as a one-time adjustment because of the nature of the costs. (See Adjustment A.3.)

Provider Comment:
The Department has reclassified and capitalized many free-standing assets that are under $1,000.

Please see the enclosed ruling by New York State in which the capitalization policy of Medicaid is determined by HCFA-15 Sections 108.2 and 108.1 (Item 1). The latest Medicare guideline states that any stand alone asset under $5,000 need not be capitalized (Item 2). Also, Medicare has eliminated the aggregate threshold for assets purchased in quantity (Item 3).

At Brookhaven, the capitalization policy is, only free-standing assets with a useful life of at least two years and over $1,000 must be capitalized (Item 4). Recently, in the matter of the appeal of Kingsbridge Heights Rehabilitation and Care Center (Provider ID# [redacted], a decision following a hearing was rendered on September 25, 2007. The decision clearly allowed Kingsbridge to follow the Medicare guidelines set forth on HCFA-15, and expense as operating costs all free-standing items which are in accordance within the capitalization policy of the facility.

Similarly, as Medicare has eliminated any aggregate threshold for assets purchased in quantity, the Department could not group various assets together at all and, as a result, was unable to reclassify those aggregate costs as property.

As a result, we request that the Department review this disallowance and reinstate the expenses as operating expense per the facility capitalization policy.

Also this will affect adjustment B-4.

Auditor Response:
The adjustments totaling $327,010 for Leasehold Improvements of $105,813 and Moveable Equipment of $221,197 were deleted. The expenses of $33,871 for the carting dumpsters remained as a one-time adjustment in the property non-trended component. (See Adjustment A.3).

C. Per Diem Adjustments–Health Personnel Recruitment and Retention (HRR)

Section 2808 of the Public Health Law establishes procedures that residential health care facilities must follow to secure funds for recruitment and retention of health care workers. Included in these procedures, pursuant to Subsection 18(d), is the requirement that each facility receiving these funds submit a written certification attesting that such funds will be used solely for the purpose of recruitment and retention of non-supervisory workers or any worker with direct care responsibility. In addition, this subsection provides for the audit of each facility to ensure compliance with the written certification. The new operators of the facility are staffing the facility by utilizing agency health care RN's, LPN's, aides and orderlies provided by an agency rather than direct employment. As the facility does not report any salaried non-supervisory direct care workers, it is unable to comply with the Public Health Law Subsection 2808.18(d) of utilizing Health Recruitment and Retention (HRR) award money for its intended purpose. Therefore, the HRR per diem has been eliminated, as follows:

RATE YEARS

04/01/02-12/31/02	01/01/03-12/31/03	01/01/04-12/31/04	01/01/05-12/31/05
$1.65	$1.86	$2.70	$2.67

Provider Comment:
Also, in response to the revised draft report dated November 1, 2007, we are in disagreement regarding the elimination of the Health Recruitment and Retention component from the Medicaid rate.

The nursing home utilized an outside payroll company to lease all of their employees, including RN's, LPN's and CNA's. Prior to this arrangement, these identical employees were the employees of that same nursing facility. The home pays for all payroll and related expenses incurred through employment of these personnel, including union Health and Welfare and Pension Expenses arising from the collective bargaining agreement in place with 1199 S.E.I.U. In effect, the leasing agency is no more than an entity for passing through payroll and related costs, and is considered a joint employer in conjunction with the nursing home by many governmental agencies. This arrangement is ideal, because it allows the facility to take advantage of cost savings associated with certain payroll related benefits that wouldn't be available without use of such service. The funds from the Health Recruitment and Retention grant were used in the exact manner as other 1199 S.E.I.U. facilities (namely, increased salary and benefits).

Furthermore, we object to the issuance of a "supplemental exit conference summary". The regulations indicate that "an" exit conference will be offered. It is at that time when the auditor's findings can be reported and any additional items cannot be raised at subsequent times.

Auditor Response:
The provider stated that they are using direct care workers employed by an outside company. Therefore, these personnel were not under the direct control of the nursing facility and the facility did not comply with the HRR procedures and regulations. If there were cost savings, it could not be determined because the outside company was not related.

In response to the comment pertaining to the supplemental exit conference, additional audit findings necessitated that we conduct another exit conference to present this adjustment to the nursing facility.

The audit scope with regards to the HRR per diem was changed. This deleted the adjustments for rate years prior to 2005. The adjustment of $2.67 for rate year 2005 remains unchanged.

Other Provider Comments:
Enclosed also find various open appeals that we would like the Department to incorporate into the final report.

Audit Response:
The Facility can only respond to audit adjustments that are included in the draft audit report. Since there were no draft audit report adjustments regarding unapproved or open appeals, these are not addressed in the final audit report.

EXHIBIT I

BROOKHAVEN REHABILITATION AND HEALTHCARE CENTER

RATE PERIODS MAY 1, 2000 THROUGH DECEMBER 31, 2005

SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

	ISSUED RATES*		FINAL RATES		RATE		
	Medicare Part B		Medicare Part B		DECREASE	MEDICAID	MEDICAID
RATE PERIOD	Non-Elig.	Eligible	Non-Elig.	Eligible	(INCREASE)	DAYS	OVERPAYMENT
05/01/00 - 06/30/00	$180.55	$178.75	$180.34	$178.54	$0.21	13,964	$ 2,932
07/01/00 - 09/30/00	168.03	166.23	167.82	166.02	0.21	22,518	4,729
10/01/00 - 12/31/00	171.33	169.53	171.12	169.32	0.21	24,924	5,234
01/01/01 - 03/31/01	171.88	170.03	171.72	169.87	0.16	23,619	3,779
04/01/01 - 04/30/01	174.81	172.96	174.66	172.81	0.15	8,119	1,218
05/01/01 - 06/30/01	174.81	172.96	174.33	172.48	0.48	16,370	7,858
07/01/01 - 09/30/01	189.47	187.62	188.99	187.14	0.48	25,115	12,055
10/01/01 - 12/31/01	192.79	190.94	192.31	190.46	0.48	23,703	11,377
01/01/02 - 03/31/02	197.13	195.23	196.16	194.26	0.97	23,298	22,599
04/01/02 - 06/30/02	205.31	203.41	204.34	202.44	0.97	23,233	22,536
07/01/02 - 09/30/02	196.24	194.34	195.28	193.38	0.96	22,515	21,614
10/01/02 - 12/31/02	198.93	197.03	197.97	196.07	0.96	23,190	22,262
01/01/03 - 03/31/03	195.01	193.06	193.99	192.04	1.02	23,104	23,566
04/01/03 - 06/30/03	199.82	197.87	198.80	196.85	1.02	23,778	24,254
07/01/03 - 09/30/03	196.36	194.41	195.34	193.39	1.02	23,469	23,938
10/01/03 - 12/31/03	203.60	201.65	202.58	200.63	1.02	23,468	23,937
01/01/04 - 03/31/04	198.68	196.69	196.31	194.32	2.37	23,758	56,306
04/01/04 - 06/30/04	210.66	208.67	208.28	206.29	2.38	22,675	53,967
07/01/04 - 09/30/04	207.91	205.92	205.54	203.55	2.37	22,924	54,330
10/01/04 - 12/31/04	209.51	207.52	207.14	205.15	2.37	22,924	54,330
01/01/05 - 03/31/05	216.81	214.78	211.80	209.77	5.01	18,972	95,050
04/01/05 - 06/30/05	218.65	216.62	213.64	211.61	5.01	19,183	96,107
07/01/05 - 09/30/05	219.63	217.60	214.62	212.59	5.01	26,451	132,520
10/01/05 - 12/31/05	223.11	221.08	218.11	216.08	5.00	26,451	132,255
TOTAL MEDICAID OVERPAYMENT							**$ 908,753**

* Any differences between these rates and the rates listed in the Background Section of this report represent rate changes made subsequent to our audit. These changes remain open to future audit by the Office of the Medicaid Inspector General.

BROOKHAVEN REHABILITATION AND HEALTHCARE CENTER
RATE YEARS MAY 1, 2000 THROUGH DECEMBER 31, 2005
SUMMARY OF OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES)

	COST CENTER	DISALLOWANCE	DIRECT COMPONENT	INDIRECT COMPONENT	NON-COMP. COMPONENT
Expense Allowed per HE-12B			$11,523,498	$5,889,910	$1,622,312
Less Expense Disallowances:					
A.1 Equipment Rental Expenses	004	$17,964		17,964	
	004	1,241		1,241	
A.2 Unsubstantiated Expenses	004	3,157		3,157	
	006	6,656		6,656	
	010	13,537		13,537	
A.3 Leasehold Improvements and Moveable Equipment Capitalized and Reclassified	006	33,871		33,871	
A.4 Related Company Expenses	004	16,747		16,747	
	039	2,737	2,737		
	051	5,400	5,400		
Subtotal Adj. A.4		$24,884			
A.5 Travel and Auto Expenses	005	9,718		9,718	
A.6 Advertising	004	3,812		3,812	
A.7 Fiscal Supplies Inventory	004	12,806		12,806	
Total Disallowances A.1 to A.7		$127,646	8,137	119,509	-
Audited Expense by Component for Rate Periods 5/1/2000 Through 12/31/2003			$11,515,361	$5,770,401	$1,622,312
A.8 Elimination of Sales Tax Expense from the Operating Component of the Rate (2004 and 2005)	004	$15,237		15,237	
	005	6,342		6,342	
	006	26,534		26,534	
	007	682		682	
	008	685		685	
	009	19,790		19,790	
	010	27,640		27,640	
	011	12,548		12,548	
	014	5,907	5,907		
	021	512	512		
	039	10,336	10,336		
	040	788	788		
	043	39,251	39,251		
	106	13,828			13,828
Total Adjustment A.8		$180,080	$ 56,794	$ 109,458	$ 13,828
Total Disallowances		$307,726			
Audited Expense by Component for 2004 Through 2005 Rates			$11,458,567	$5,660,943	$1,608,484

SCHEDULE B

BROOKHAVEN REHABILITATION AND HEALTHCARE CENTER
RATE YEARS MAY 1, 2000 THROUGH DECEMBER 31, 2005
SUMMARY OF PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	Cost Center	Disallowances/ (Allowances)	RATE PERIODS			
			05/01/00-04/30/01	05/01/01-12/31/02	2003	2005
Expense Allowed per HE-12B			$1,253,226	$1,253,226	$1,292,997	$1,973,615
B.1 Reclassified Equipment Rental Expense						
05/01/00 to 04/30/01 Rate	043	($17,964)	(17,964)			
05/01/01 to 12/31/02 Rate	043	(17,964)		(17,964)		
B.2 Prior Period Expenses						
2003 Rate	001	11,295			11,295	
B.3 Auto Expenses						
05/01/00 to 04/30/01 Rate	006	1,500	1,500			
05/01/01 to 12/31/02 Rate	006	1,500		1,500		
2003 Rate	006	1,699			1,699	
2005 Rate	006	3,855				3,855
B.4 Leasehold Improvement and Moveable Equipment						
05/01/00 to 04/30/01 Rate	005	(33,871)	(33,871)			
Total Audit Disallowances/(Allowances)		($49,950)	(50,335)	(16,464)	12,994	3,855
Property Expense per Audit			$1,303,561	$1,269,690	$1,280,003	$1,969,760

Note: There were no adjustments made to the 2004 rate period.