



STATE OF NEW YORK
OFFICE OF THE MEDICAID INSPECTOR GENERAL
584 Delaware Avenue, 2nd Floor
Buffalo, New York 14202

ANDREW M. CUOMO
GOVERNOR

JAMES C. COX
ACTING MEDICAID INSPECTOR GENERAL

August 8, 2011

[REDACTED]
Batavia Nursing Home LLC
257 State Street
Batavia, New York 14020

Re: Medicaid Rate Audit #04-E04-1514
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 Batavia Nursing Home's (the "Facility") Medicaid rates for the rate period February 17, 2000 through December 31, 2006. 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 February 12, 2010, and draft report amendment letters dated August 3, 2010 and March 8, 2011, respectively, you identified specific audit findings with which you disagreed. Your comments have been considered and the audit report has been either revised accordingly and/or amended to address your comments. Consideration of your comments resulted in a reduction of \$273,967 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 \$392,701. 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. 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.

The overpayment does not reflect the impact on rates subsequent to 2006 that utilized the February 17, 2000 through February 16, 2001 base period for operating expense. Any overpayment resulting from operating expense disallowances in the February 17, 2000 through February 16, 2001 base period report for rates subsequent to 2006 will be addressed in the future.

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-E04-1514
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]
Director, Audit Resources Management
Division of Medicaid Audit
Audit Management and Development
Office of the Medicaid Inspector General

cc: [REDACTED]

Attachments:

- EXHIBIT I - Summary of Per Diem Impact and Medicaid Overpayment
- EXHIBIT II - Summary of Medicaid Rates Audited
- EXHIBIT III - Operating Expense Disallowances
- EXHIBIT IV - Property Expense Disallowances/(Allowances)
- EXHIBIT V - Correction of the Input Price Adjustment Factor (IPAF)

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

NAME AND ADDRESS OF AUDITEE

Batavia Nursing Home LLC
257 State Street
Batavia, New York 14020

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

AUDIT #04-E04-1514

AMOUNT DUE: \$392,701

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 1237
File #04-E04-1514
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

BATAVIA NURSING HOME, LLC
RATE PERIOD FEBRUARY 17, 2000 THROUGH DECEMBER 31, 2006
SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

RATE PERIOD	ISSUED RATES*		FINAL RATES		RATE	MEDICAID	MEDICAID
	Medicare Part B		Medicare Part B		DECREASE (INCREASE)	DAYS	OVERPAYMENT
	Non-Elig.	Eligible	Non-Elig.	Eligible			
02/17/00 - 04/30/00	\$106.27	106.27	\$102.89	102.89	\$ 3.38	3,108	\$ 10,505
05/01/00 - 07/31/00	109.25	109.25	105.82	105.82	3.43	4,019	13,785
08/01/00 - 10/31/00	109.00	109.00	105.54	105.54	3.46	3,983	13,781
11/01/00 - 12/31/00	108.56	108.56	105.12	105.12	3.44	2,723	9,367
01/01/01 - 01/31/01	112.34	112.34	108.71	108.71	3.63	1,336	4,850
02/01/01 - 04/30/01	111.16	111.16	107.53	107.53	3.63	3,891	14,124
05/01/01 - 07/31/01	115.49	115.49	111.73	111.73	3.76	3,652	13,732
08/01/01 - 10/31/01	120.84	120.84	116.95	116.95	3.89	3,751	14,591
11/01/01 - 12/31/01	121.11	121.11	117.21	117.21	3.90	2,595	10,121
01/01/02 - 01/31/02	126.76	126.76	122.57	122.57	4.19	1,248	5,229
02/01/02 - 03/31/02	127.21	127.21	122.99	122.99	4.22	2,397	10,115
04/01/02 - 04/30/02	128.63	128.63	124.41	124.41	4.22	1,220	5,148
05/01/02 - 07/31/02	129.47	129.47	125.22	125.22	4.25	3,845	16,341
08/01/02 - 10/31/02	125.44	125.44	121.30	121.30	4.14	4,040	16,726
11/01/02 - 12/31/02	126.22	126.22	122.07	122.07	4.15	2,672	11,089
01/01/03 - 01/31/03	127.86	127.86	123.81	123.81	4.05	1,398	5,662
02/01/03 - 04/30/03	127.75	127.75	123.69	123.69	4.06	4,089	16,601
05/01/03 - 07/31/03	125.43	125.43	121.45	121.45	3.98	4,082	16,246
08/01/03 - 10/31/03	126.11	126.11	122.10	122.10	4.01	3,472	13,923
11/01/03 - 12/31/03	127.73	127.73	123.70	123.70	4.03	2,480	9,994
01/01/04 - 01/31/04	132.52	132.52	127.97	127.97	4.55	1,350	6,143
02/01/04 - 03/31/04	127.13	127.13	122.73	122.73	4.40	2,615	11,506
04/01/04 - 04/30/04	131.45	131.45	128.79	128.79	2.66	1,297	3,450
05/01/04 - 07/31/04	131.44	131.44	128.78	128.78	2.66	3,887	10,339
08/01/04 - 10/31/04	127.70	127.70	125.04	125.04	2.66	3,669	9,760
11/01/04 - 12/31/04	131.41	131.41	128.73	128.73	2.68	2,431	6,515
01/01/05 - 01/31/05	137.08	137.08	133.29	133.29	3.79	1,285	4,870
02/01/05 - 04/30/05	141.82	141.82	137.96	137.96	3.86	3,571	13,784
05/01/05 - 06/30/05	145.53	145.53	141.64	141.64	3.89	2,553	9,931
07/01/05 - 07/31/05	145.53	145.53	141.64	141.64	3.89	1,304	5,073
08/01/05 - 10/31/05	136.95	136.95	133.14	133.14	3.81	4,119	15,693
11/01/05 - 12/31/05	138.59	138.59	134.76	134.76	3.83	2,733	10,467
01/01/06 - 01/31/06	143.53	143.53	140.24	140.24	3.29	1,408	4,632
02/01/06 - 03/31/06	139.44	139.44	136.17	136.17	3.27	2,642	8,639
04/01/06 - 04/30/06	139.14	139.14	135.86	135.86	3.28	1,380	4,526
05/01/06 - 07/31/06	143.38	143.38	140.06	140.06	3.32	4,329	14,372
08/01/06 - 10/31/06	135.61	135.61	132.34	132.34	3.27	4,045	13,227
11/01/06 - 12/31/06	138.83	138.83	135.57	135.57	3.26	2,406	7,844
Total Medicaid Overpayment							<u>\$ 392,701</u>

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

BATAVIA NURSING HOME, LLC**RATE PERIOD FEBRUARY 17, 2000 THROUGH DECEMBER 31, 2006
SUMMARY OF MEDICAID RATES AUDITED**

The facility's Medicaid utilization ranged from approximately 68 to 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 report represent rate changes made subsequent to our audit. These changes remain open to future audit by the Office of the Medicaid Inspector General.

<u>RATE PERIOD</u>	<u>ISSUED RATES</u>	
	<u>Medicare Part B</u>	
	<u>Non-Elig.</u>	<u>Eligible</u>
02/17/00 - 04/30/00	\$ 106.27	\$ 106.27
05/01/00 - 07/31/00	109.25	109.25
08/01/00 - 10/31/00	109.00	109.00
11/01/00 - 12/31/00	108.56	108.56
01/01/01 - 01/31/01	112.34	112.34
02/01/01 - 04/30/01	111.16	111.16
05/01/01 - 07/31/01	115.49	115.49
08/01/01 - 10/31/01	120.84	120.84
11/01/01 - 12/31/01	121.11	121.11
01/01/02 - 01/31/02	126.76	126.76
02/01/02 - 03/31/02	127.21	127.21
04/01/02 - 04/30/02	128.63	128.63
05/01/02 - 07/31/02	129.47	129.47
08/01/02 - 10/31/02	125.44	125.44
11/01/02 - 12/31/02	126.22	126.22
01/01/03 - 01/31/03	127.86	127.86
02/01/03 - 04/30/03	127.75	127.75
05/01/03 - 07/31/03	125.43	125.43
08/01/03 - 10/31/03	126.11	126.11
11/01/03 - 12/31/03	127.73	127.73
01/01/04 - 01/31/04	132.52	132.52
02/01/04 - 03/31/04	127.13	127.13
04/01/04 - 04/30/04	131.45	131.45
05/01/04 - 07/31/04	131.44	131.44
08/01/04 - 10/31/04	127.70	127.70
11/01/04 - 12/31/04	131.41	131.41
01/01/05 - 01/31/05	137.08	137.08
02/01/05 - 04/30/05	141.82	141.82
05/01/05 - 06/30/05	145.53	145.53
07/01/05 - 07/31/05	145.53	145.53
08/01/05 - 10/31/05	136.95	136.95
11/01/05 - 12/31/05	138.59	138.59
01/01/06 - 01/31/06	143.53	143.53
02/01/06 - 03/31/06	139.44	139.44
04/01/06 - 04/30/06	139.14	139.14
05/01/06 - 07/31/06	143.38	143.38
08/01/06 - 10/31/06	135.61	135.61
11/01/06 - 12/31/06	138.83	138.83

BATAVIA NURSING HOME, LLC
RATE PERIOD FEBRUARY 17, 2000 THROUGH DECEMBER 31, 2006
OPERATING EXPENSE DISALLOWANCES

	DESCRIPTION	COST CTR.	OPERATING EXPENSE COMPONENT		
			DIRECT	INDIRECT	NON- COMP.
Expense Allowed on HE12-B			\$ 1,465,467	\$ 1,011,529	\$ 150,545
Less Disallowances/(Allowances):					
1. UNALLOWABLE WORKERS' COMPENSATION INSURANCE					
A portion of the reported workers' compensation insurance expense was not paid within one year of the end of the cost reporting period as required by regulation. The amount that was not paid within the year was disallowed.	Fiscal Svc.	004	\$ -	\$ 678	\$ -
	Admin Svc.	005		702	
	Plant Oper.	006		804	
	Laundry	009		17	
	Housekeeping	010		119	
	Patient Food	011		2,573	
	Nursing Admin.	013	650		
	Activities	014	696		
	Med. Records	019		195	
	Social Svc.	021	226		
	Nursing Facility	051	12,536		
2. UNSUBSTANTIATED OTHER EMPLOYEE BENEFITS					
The Facility was unable to identify or substantiate a portion of the reported "other" employee benefits expense. Therefore, the unsubstantiate portion of expense was disallowed.	Fiscal Svc.	004		51	
	Admin Svc.	005		6	
	Plant Oper.	006		176	
	Patient Food	011		117	
	Nursing Admin.	013	20		
	Activities	014	307		
	Nursing Facility	051	236		
3. OVERSTATED VACATION ACCRUALS					
Expenditures are to be recorded in the period in which they are incurred. Vacation accruals were overstated for three employees. The overstated amount was not associated with the operating base period and was disallowed.	Nursing Facility	051	2,537		
Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2300, 2302.1, 2304					
4. UNALLOWABLE LABORATORY AND RADIOLOGY SERVICES					
Costs not reasonably related to efficient production of services because of the nature or amount of expense are not allowable. The facility reported laboratory services and radiology services on the RHCF 4 Report. Since these ancillaries were not included in the Facility's Medicaid rate and do not apply to Medicaid patients, the expenses were disallowed.	Lab	031			5,347
	Radiology	034			437
Regulations: 10 NYCRR Sections 86-2.17(a) & (d)					

BATAVIA NURSING HOME, LLC
RATE PERIOD FEBRUARY 17, 2000 THROUGH DECEMBER 31, 2006
OPERATING EXPENSE DISALLOWANCES

	<u>DESCRIPTION</u>	<u>COST</u> <u>CTR.</u>	<u>OPERATING EXPENSE COMPONENT</u>		
			<u>DIRECT</u>	<u>INDIRECT</u>	<u>NON-</u> <u>COMP.</u>
5. OVERSTATED UTILITIES EXPENSE					
Utilities expense included sales tax and costs not applicable to the operating base period. In addition, the Facility reported and was reimbursed for all sales tax expense in the property portion of the rate. Expenditures are to be recorded in the period in which they are incurred. Consequently, the utilities expense not applicable to the operating base period was disallowed and the allowable portion of sales tax expense was reclassified to the property component. Regulations: 10 NYCRR Section 86-2.17(d), PRM-1 Sections 2300, 2302.1, 2304	Plant Oper.	006			3,372
6. RECLASSIFICATION OF AUDIOLOGIST EXPENSE					
The Facility was able to document that a portion of the reported speech therapy was for audiology. This portion was reclassified from the direct component to the non-comparable component. Regulation: 10 NYCRR Section 86-2.10(f)(2)	Speech Therapy Hearing Therapy	141 041	576		(576)
7. RECLASSIFICATION OF FISCAL SERVICES					
Based on Bureau of Long Term Care Reimbursement methodology, the disallowed amount of start-up costs for fiscal services provided after the start date are reclassified from the capital component to the indirect component. The related audit adjustment is on Exhibit IV Adjustment 1. Regulation: 10 NYCRR Section 86-2.10(d)	Fiscal Svc.	004		(9,582)	
Total Disallowance/(Allowance)			<u>\$ 17,784</u>	<u>\$ (4,144)</u>	<u>\$ 8,580</u>
AUDITED OPERATING EXPENSE			<u>\$ 1,447,683</u>	<u>\$ 1,015,673</u>	<u>\$ 141,965</u>

BATAVIA NURSING HOME, LLC
RATE PERIOD FEBRUARY 17, 2000 THROUGH DECEMBER 31, 2006
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	RATE YEAR								
			2000	2001	2002	2003	2004	2005	2006		
Expense Allowed on HE12-B			\$ 113,991	\$ 112,108	\$ 172,963	\$ 194,643	\$ 217,145	\$ 251,443	\$ 231,212		
Less Disallowances/(Allowances):											
1. UNALLOWABLE AMORTIZATION OF START UP COSTS											
<p>The Facility was unable to substantiate the full amount of the start-up costs and, in addition, the Facility received full reimbursement of the allowable start-up costs as of February 16, 2005. Therefore, the unsubstantiated costs were disallowed and the excess amortization of the allowable costs for the rate years 2005 and 2006 was disallowed.</p> <p>Regulations: 10 NYCRR Section 86-2.17(a) & (d), PRM-1 Section 2304</p>			Orgn/Start-Up	001	11,778	11,778	11,778	11,778	11,778	21,967	23,475
2. MOVABLE EQUIPMENT DEPRECIATION DISALLOWANCE/(ALLOWANCE)											
<p>a. The Facility capitalized some of the movable equipment additions as real property additions. The audit reclassified those additions to movable equipment and allowed depreciation expense on those asset additions in the year of acquisition. The real property historical cost was reduced for the calculations of the return on and the return of real property equity in adjustment #3 below.</p>			ME Depn.	002	(1,461)	(1,461)	(1,461)	(3,324)	(1,993)	(1,087)	
<p>b. Telephone expenses are 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 represents duplicate reimbursement. Consequently, the telephone depreciation expense was disallowed.</p>			ME Depn.	002	27	27	27	80	80	1,205	1,231
<p>c. In rate years 2004 through 2006, the Facility was fully reimbursed depreciation associated with vehicles and certain assets. The excess depreciation was disallowed in rate years 2004 through 2006.</p>			ME Depn.	002					948	822	4,610
<p>d. In rate year 2005, the promulgated rate included \$10,964 of related company depreciation. However, the amount reported on the RHCF-4 was \$3,415. The difference was disallowed.</p>			ME Depn.	002						7,549	
<p>e. In rate year 2005, reported depreciation expense on the RHCF-4 Report was higher than the Facility's depreciation schedules. The undocumented depreciation was disallowed.</p>			ME Depn.	002						632	
<p>f. Related company depreciation was not included in the promulgated 2003 rates. The asset additions were verified on audit and the Facility agreed to withdraw Appeal #329409, Item #4. Consequently, the depreciation expense was allowed.</p> <p>Regulations: 10 NYCRR Sections 455.1, 455.2, 86-2.17(d)</p>			ME Depn.	002				(2,531)			
3. RETURN ON AND RETURN OF REAL PROPERTY EQUITY DISALLOWANCE											
<p>The return on real property equity and return of real property equity were adjusted to reflect the reduction of real property historical cost for the transfer of movable equipment additions on audit. See adjustment #2 above for the allowance of movable equipment depreciation on those assets.</p> <p>Regulations: 10 NYCRR Sections 455.1 and 455.2</p>			Ret. On Eq.	001			1,953	1,635	1,634	1,167	630
			Ret. Of Eq.	001			6,527	7,446	9,067	9,431	9,432

BATAVIA NURSING HOME, LLC
RATE PERIOD FEBRUARY 17, 2000 THROUGH DECEMBER 31, 2006
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	DESCRIPTION	COST CENTER	RATE YEAR							
			2000	2001	2002	2003	2004	2005	2006	
4. DISALLOWANCE/(ALLOWANCE) OF SALES TAX ON UTILITIES										
Sales tax expense was increased for the reclassification of sale tax on utilities from operating expense (see Exhibit III, Adjustment 5).	Sales Tax	001	(342)	(342)	(342)					
Sales tax was disallowed for the non-residential portion of sales tax paid to utility companies because the Facility was exempt from state and county sales tax. Regulations: 10 NYCRR Section 86-2.17(a) & (d), PRM-1 Section 2122.2	Sales Tax	001	4,534	4,534	4,534	2,067				
5. INVESTMENT INCOME OFFSET OF WORKING CAPITAL INTEREST EXPENSE										
In rate year 2004, the Facility reported a gain on the sale of a vehicle. Since investment income includes all gains and losses, the gain was included in the working capital interest income offset. Regulation: 10 NYCRR Section 86-2.20(c)(1)	WC Inc. Offset	005						5,917		
6. WORKING CAPITAL INTEREST EXPENSE DISALLOWANCE DUE TO EXCESSIVE WITHDRAWALS										
The working capital interest expense was interest on the Facility's line of credit. The Facility's financial statements showed that the owners' withdrawals exceeded the line of credit. Therefore, the interest on the line of credit was disallowed since, had the owner withdrawals not taken place, the expense would not have been necessary. The working capital investment income offset audit adjustment was applied first and only the remaining balance of was disallowed. Regulations: 10 NYCRR Section 86-2.20 & 86-2.17(d); Public Health Law 2808-22(a)	WC Int. Exp.	005	1,529	1,529	1,529	8,217	5,076	14,650	5,312	
7. UNALLOWABLE RELATED COMPANY PROPERTY INSURANCE										
Related company property insurance included mortgage insurance premium. Mortgage interest and amortization were not allowed in the promulgated rate. Therefore, the mortgage insurance premium was disallowed. Regulations: 10 NYCRR Section 86-2.17(d)	Prop. Ins.	005	3,114	3,114	3,114					
8. UNALLOWABLE PROPERTY LEASE EXPENSE										
The Facility reported the fixed cost of chemicals included in the dishwasher lease as a property lease expense. The dishwasher chemicals are considered an operating expenditure under the dietary cost center and the expense was disallowed. Regulations: 10 NYCRR Section 86-2.10(d), 458.5	Rent B	011					1,530	1,870		
	Rent F	011								1,700
Total Disallowance			<u>\$ 19,179</u>	<u>\$ 19,179</u>	<u>\$ 27,659</u>	<u>\$ 25,368</u>	<u>\$ 34,037</u>	<u>\$ 58,206</u>	<u>\$ 46,390</u>	
AUDITED PROPERTY EXPENSE			<u>\$ 94,812</u>	<u>\$ 92,929</u>	<u>\$ 145,304</u>	<u>\$ 169,275</u>	<u>\$ 183,108</u>	<u>\$ 193,237</u>	<u>\$ 184,822</u>	

BATAVIA NURSING HOME, LLC
RATE PERIOD FEBRUARY 17, 2000 THROUGH DECEMBER 31, 2006
CORRECTION OF THE INPUT PRICE ADJUSTMENT FACTOR (IPAF)

The Facility's February 17, 2000 through March 31, 2004 operating portion of the rates incorporated a "1983" input price adjustment factor (IPAF) which was based on February 17, 2000 through February 16, 2001 nursing salaries (RN, LPN, Aides and Orderlies), fringe benefits, and hours paid. The Facility's April 1, 2004 through December 31, 2006 operating portion of the rates incorporated a "2001" input price adjustment factor (IPAF) which was based on January 1, 2001 through December 31, 2001 nursing salaries (RN, LPN, Aides and Orderlies), fringe benefits, and hours paid.

The audit disclosed that in the base period ended February 16, 2001, the Facility expensed the ward clerk's salary and fringe benefits as RN expense but actually reduced Aides and Orderlies expense in its reclassification entry. Consequently, RN salaries and fringe benefits were reduced and Aides and Orderlies salaries and fringe benefits were increased to correct the reclassification entry.

In addition to the above, the RN, LPN, and Aides and Orderlies salaries and fringe benefits were overstated for base period ended February 16, 2001 as stated in Exhibit III, Adjustments 1 through 3. The corrected information is summarized below.

Further, the Facility was able to document that some of the reported hours for LPN and Aides and Orderlies were double counted on the February 17, 2000 through February 16, 2001 and the 2001 cost reports. These double counted hours were verified and removed from the IPAF calculation.

Lastly, the Facility was unable to document, in accordance with PRM-1 Section 2304, the reported Aides and Orderlies hours paid for the base year ended February 16, 2001, and the reported Aides and Orderlies salaries, fringe benefits, and hours paid for the base year 2001. The audit computed the Aides and Orderlies hours paid for the base year ended February 16, 2001 and the Aides and Orderlies salaries, fringe benefits, and hours paid for the base year 2001, based on the payroll register for CNA, Nurse Aide/training, and unit assistants in accordance with 10 NYCRR Sections 452.4(g)(1), 455, and 456.

1983 IPAF Adjustments

<u>Wages</u>	<u>RN</u>	<u>LPN</u>	<u>Aides & Orderlies</u>	<u>Total</u>
Amount per RHCF-4	\$ 163,380	\$ 246,592	\$ 427,374	\$ 837,346
Decrease (Increase) - Ward Clerk	12,659	-	(12,659)	-
Decrease (Increase) - Adjustment Exhibit III, Adjustment 3	450	1,173	914	2,537
Amount per Audit	<u>\$ 150,271</u>	<u>\$ 245,419</u>	<u>\$ 439,119</u>	<u>\$ 834,809</u>

Fringe Benefits

Amount per RHCF-4	\$ 30,391	\$ 45,875	\$ 79,503	\$ 155,769
Decrease (Increase) - Ward Clerk	2,355	-	(2,355)	-
Decrease (Increase) - Adjustment Exhibit III, Adjustment 1	2,446	3,692	6,398	12,536
Decrease (Increase) - Adjustment Exhibit III, Adjustment 2 - Revised	46	70	120	236
Amount per Audit	<u>\$ 25,544</u>	<u>\$ 42,113</u>	<u>\$ 75,340</u>	<u>\$ 142,997</u>

Hours Paid

Amount per RHCF-4	9,618	21,272	47,737	78,627
Adjust to Payroll Register	-	-	(3,803)	(3,803)
Remove Double Counted Hours	23	890	124	1,037
Amount per Audit	<u>9,595</u>	<u>20,382</u>	<u>51,416</u>	<u>81,393</u>

BATAVIA NURSING HOME, LLC
RATE PERIOD FEBRUARY 17, 2000 THROUGH DECEMBER 31, 2006
CORRECTION OF THE INPUT PRICE ADJUSTMENT FACTOR (IPAF)

2001 IPAF Adjustments

<u>Wages</u>	<u>RN</u>	<u>LPN</u>	<u>Aides & Orderlies</u>	<u>Total</u>
Amount per RHCF-4	\$ 177,964	\$ 272,412	\$ 433,280	\$ 883,656
Adjust to Payroll Register	-	-	(28,703)	(28,703)
Amount per Audit	<u>\$ 177,964</u>	<u>\$ 272,412</u>	<u>\$ 461,983</u>	<u>\$ 912,359</u>

Fringe Benefits

Amount per RHCF-4	\$ 24,170	\$ 37,000	\$ 58,842	\$ 120,012
Adjust for Increase in Wages	-	-	(3,898)	(3,898)
Amount per Audit	<u>\$ 24,170</u>	<u>\$ 37,000</u>	<u>\$ 62,740</u>	<u>\$ 123,910</u>

Hours Paid

Amount per RHCF-4	10,160	21,701	47,720	79,581
Adjust to Payroll Register	-	-	(6,037)	(6,037)
Remove Double Counted Hours	-	2,795	-	2,795
Amount per Audit	<u>10,160</u>	<u>18,906</u>	<u>53,757</u>	<u>82,823</u>