



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
ACTING MEDICAID INSPECTOR GENERAL

August 30, 2011

[REDACTED]
Woodhaven Nursing Home
1360 Route 112
Port Jefferson Station, New York 11776-3078

Re: Medicaid Rate Audit #10-2346
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 Woodhaven Nursing Home's (the "Facility") Medicaid rates for the rate period January 1, 2005 through December 31, 2008. In accordance with 18 NYCRR Section 517.6, this report represents the OMIG's final determination on issues raised in the draft audit report.

Since you did not respond to our draft audit report dated June 10, 2011, the findings in the final audit report remain identical to the draft audit report. As previously stated in the draft audit report, the Medicare Part B and D offsets were not within the scope of the review and may be examined as part of a future audit. Based on the enclosed audited rates calculated by the Bureau of Long Term Care Reimbursement, the Medicaid overpayment currently due is \$577,074. 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 #10-2346
Albany, New York 12237-0048

OPTION #2: Enter into a repayment agreement with the OMIG. 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

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]
Coordinator Medical Facilities Audit
Division of Medicaid Audit
Audit Management and Development
Office of the Medicaid Inspector General

Attachments:

- 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 - Return On and Return Of Real Property Equity Disallowances
- EXHIBIT V - Correction of Patient Days

CERTIFIED MAIL # [REDACTED]
RETURN RECEIPT REQUESTED

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

NAME AND ADDRESS OF AUDITEE

WOODHAVEN NURSING HOME
1360 ROUTE 112
PORT JEFFERSON STATION ,
NEW YORK 11776-3078

AMOUNT DUE: \$577,074

NPI # [REDACTED]
PROVIDER # [REDACTED]

AUDIT #10-2346

**AUDIT
TYPE**

PROVIDER
 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 #10-2346
Albany, New York 12237-0048

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

[REDACTED]
CORRECT PROVIDER NUMBER

WOODHAVEN NURSING HOME
RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008
SUMMARY OF PER DIEM IMPACT AND MEDICAID OVERPAYMENT

<u>RATE PERIOD</u>	<u>ISSUED PART B & D NON-ELIGIBLE RATES*</u>	<u>FINAL PART B & D NON-ELIGIBLE RATES</u>	<u>RATE DECREASE (INCREASE)</u>	<u>MEDICAID DAYS</u>	<u>MEDICAID OVERPAYMENT</u>
01/01/05 - 03/31/05	\$210.99	\$207.88	\$3.11	9,093	\$ 28,279
04/01/05 - 06/30/05	210.19	207.08	3.11	8,586	26,702
07/01/05 - 09/30/05	208.05	204.94	3.11	9,060	28,177
10/01/05 - 12/31/05	212.30	209.19	3.11	9,893	30,767
01/01/06 - 03/31/06	220.63	215.48	5.15	9,492	48,884
04/01/06 - 06/30/06	221.00	215.47	5.53	9,401	51,988
07/01/06 - 09/30/06	219.91	214.38	5.53	9,119	50,428
10/01/06 - 12/31/06	224.40	218.87	5.53	9,082	50,223
01/01/07 - 03/31/07	228.96	225.43	3.53	8,206	28,967
04/01/07 - 06/30/07	227.67	224.14	3.53	7,949	28,060
07/01/07 - 08/31/07	226.37	222.84	3.53	5,548	19,584
09/01/07 - 12/31/07	226.37	222.84	3.53	10,872	38,378
01/01/08 - 03/31/08	231.66	227.38	4.28	8,684	37,168
04/01/08 - 06/30/08	227.47	223.19	4.28	7,930	33,940
07/01/08 - 12/31/08	231.63	227.35	4.28	17,647	75,529
TOTAL MEDICAID OVERPAYMENT					<u>\$ 577,074</u>

* 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.

WOODHAVEN NURSING HOME
RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008
SUMMARY OF MEDICAID RATES AUDITED

The Facility's Medicaid utilization was approximately 71 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.

<u>RATE PERIOD</u>	Issued Medicare Part B & D <u>Non-Eligible Rates *</u>
01/01/05 - 03/31/05	\$210.99
04/01/05 - 06/30/05	210.19
07/01/05 - 09/30/05	208.05
10/01/05 - 12/31/05	212.30
01/01/06 - 03/31/06	220.63
04/01/06 - 06/30/06	221.00
07/01/06 - 09/30/06	219.91
10/01/06 - 12/31/06	224.40
01/01/07 - 03/31/07	228.96
04/01/07 - 06/30/07	227.67
07/01/07 - 08/31/07	226.37
09/01/07 - 12/31/07	226.37
01/01/08 - 03/31/08	231.66
04/01/08 - 06/30/08	227.47
07/01/08 - 12/31/08	231.63

* 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.

WOODHAVEN NURSING HOME
RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

COST	RATE PERIODS			
	01/01/06	04/01/06	12/31/06	2008
DESCRIPTION	2005	2007	2007	2008
	\$ 404,800	\$ 464,933	\$ 525,717	\$ 561,117

Property Expense Allowed per HE-12B

Less Disallowances/(Allowances):

1. RETURN ON/OF EQUITY DISALLOWANCES

Providers receiving payment on the basis of reimbursable costs are required to provide adequate cost data based on financial and statistical records that can be verified on audit. The cost information must be current, accurate, and in sufficient detail. The Facility did not provide any documentation in support of reported historical cost. Consequently, the Facility's real property historical costs were adjusted to reflect the disallowance of unsubstantiated costs resulting in disallowances to return on/of equity. (See Exhibit IV)

Regulations: 10 NYCRR Section 86-2.21, PRM-1 Section 2300 & 2304

2. PROPERTY INSURANCE ADJUSTMENTS

Audited property insurance expense varied from the amount allowed in the promulgated rates. Consequently, adjustments were necessary.

Regulations: PRM-1 Sections 2102.2, 2102.3

3. REAL ESTATE TAXES DISALLOWANCE

Audited property insurance expense varied from the amount allowed in the promulgated rates. Consequently, a disallowance was necessary.

Regulations: PRM-1 Sections 2102.2, 2102.3

4. EQUIPMENT RENTAL DISALLOWANCES

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. Since the Facility could not fully document reported equipment rentals, disallowances were necessary.

Regulations: PRM-1 Sections 2300 & 2304

DESCRIPTION	COST	RATE PERIODS			
		01/01/06	04/01/06	12/31/06	2008
Ret. on Eq.	001	19,514	15,204	15,204	11,162
Ret. on Eq.	001	52,564	52,564	52,564	52,997
Property Ins.	006	(187)			984
RE Taxes	006				2,649
Rent A	004	6,227	14,897	14,897	
Rent C	006	11,278			
Rent D	013	1,102	2,840	2,840	
Rent F	004	6,000			
Rent B	006		8,609	8,609	
Rent C	013		1,096	1,096	
Rent B	004				7,853
Rent D	006				17,721
Rent C	005				44,711

WOODHAVEN NURSING HOME
RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES)

	COST	DESCRIPTION	CTR.	RATE PERIODS			
				2005	01/01/06 03/31/06	04/01/06 12/31/06	2007 2008
5. AUTO INSURANCE DISALLOWANCES							
Providers are required to provide adequate cost data that can be verified. Additionally, only costs that are properly chargeable to necessary patient care are allowable. The Facility was unable to provide documentation or demonstrate the relationship to patient care for reported auto insurance. Consequently, disallowances were necessary. Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3, 2300 & 2304	006	Auto Ins.	006	7,098	5,317	5,317	5,456
							15,600
6. ORGANIZATION / START-UP COSTS DISALLOWANCES							
The Facility amortized start-up costs over a five year period. This expense was fully amortized during rate year 2005. Since the costs were fully reimbursed during rate year 2005, the portion of the start-up costs that represented excess reimbursement in the 2005 through 2007 rates was disallowed. Regulations: 10 NYCRR Section 86-2.17(d), PRM-1 Section 2132	005	Org./Start-Up	005	46,758			
	006	Org./Start-Up	006	93,440	93,440		46,761
7. SALES TAX DISALLOWANCES							
Facilities 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 sales tax varied from the sales tax expense allowed in the rate resulting in disallowances. Regulations: PRM-1 Sections 2300 & 2304	005	Sales Tax	005	62,478	62,478		38,382
							41,784
8. WORKING CAPITAL INTEREST EXPENSE DISALLOWANCES							
a. Working capital interest expense on both current and capital indebtedness is an allowable cost for all residential health care facilities. This interest expense is subject to a threshold limitation per regulation, thus a disallowance was necessary. Regulation: 10 NYCRR Section 86-2.20	005	WC Int. Exp.	005	1,000			
b. Effective April 1, 2006 and thereafter, rates shall not contain a payment factor for working capital interest if the RHCf report utilized to determine such payment factor also shows a positive net income. The Facility had a positive net income for cost year 2004. Consequently, working capital interest expense was disallowed. Regulation: Public Health Law, Section 2808, Paragraph 22-a						19,305	
Total Disallowances/(Allowances)				\$ 151,354	\$ 256,445	\$ 275,750	\$ 170,212
AUDITED PROPERTY EXPENSE				\$ 253,446	\$ 208,488	\$ 189,183	\$ 355,505
							\$ 205,473
							\$ 355,644

WOODHAVEN NURSING HOME
RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008
RETURN ON AND RETURN OF REAL PROPERTY EQUITY DISALLOWANCES

<u>Return of Equity Calculation</u>	RATE PERIODS			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Real Property Historical Cost per HE-12B	\$ 3,186,696	\$ 3,208,008	\$ 3,186,696	\$ 3,241,957
Audit Disallowances/(Allowances) Unsubstantiated Additions	<u>420,511</u>	<u>420,511</u>	<u>423,113</u>	<u>423,123</u>
Audited Historical Cost	\$ 2,766,185	\$ 2,787,497	\$ 2,763,583	\$ 2,818,834
Less: Accumulated Reimbursement	<u>2,265,712</u>	<u>2,328,271</u>	<u>2,375,740</u>	<u>2,440,381</u>
Audited Net Equity	<u>\$ 500,473</u>	<u>\$ 459,226</u>	<u>\$ 387,843</u>	<u>\$ 378,453</u>
Remaining Useful Life	<u>8</u>	<u>7</u>	<u>6</u>	<u>5</u>
Audited Return of Equity	\$ 62,559	\$ 65,604	\$ 64,641	\$ 75,691
Promulgated Return of Equity	<u>115,123</u>	<u>118,168</u>	<u>117,638</u>	<u>128,690</u>
Disallowances	<u>\$ 52,564</u>	<u>\$ 52,564</u>	<u>\$ 52,997</u>	<u>\$ 52,999</u>
 <u>Return on Equity Calculation</u>				
Audited Net Equity	\$ 500,473	\$ 459,226	\$ 387,843	\$ 378,453
Less: ½ Current Return of Equity	<u>31,280</u>	<u>32,802</u>	<u>32,321</u>	<u>37,846</u>
Audited Net Investment	\$ 469,193	\$ 426,424	\$ 355,522	\$ 340,607
Rate of Return	<u>4.95%</u>	<u>4.45%</u>	<u>4.90%</u>	<u>4.68%</u>
Audited Return on Equity	\$ 23,225	\$ 18,976	\$ 17,421	\$ 15,940
Promulgated Return on Equity	<u>42,739</u>	<u>34,180</u>	<u>31,723</u>	<u>27,102</u>
Disallowances	<u>\$ 19,514</u>	<u>\$ 15,204</u>	<u>\$ 14,282</u>	<u>\$ 11,162</u>

WOODHAVEN NURSING HOME
RATE PERIODS JANUARY 1, 2005 THROUGH DECEMBER 31, 2008
CORRECTION OF PATIENT DAYS

The audit of patient day statistics disclosed that the patient days reported were understated for rate year 2007 and 2008. The following adjustments were necessary to include the proper days in the rate calculations.

Regulation: 10 NYCRR Section 86-2.8

	Rate Year	
	2007	2008
Patient Days in Promulgated Rates	49,347	48,849
Patient Days per Audit	49,897	49,351
Understated Patient Days	<u>(550)</u>	<u>(502)</u>