



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

ANDREW M. CUOMO
GOVERNOR

JAMES C. COX
MEDICAID INSPECTOR GENERAL

August 9, 2013

[REDACTED]
Eastchester Rehabilitation and
Health Care Center, LLC
2700 Eastchester Road
Bronx, New York 10469

Re: Medicaid Rate Audit #07-3626
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 Eastchester Rehabilitation & Health Care Center, LLC's (the "Facility") Medicaid rates for the rate period September 19, 2002 through December 31, 2007. 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 January 22, 2013, 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 \$190,422 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 \$478,068. 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 overpayment does not reflect the impact on rates subsequent to 2007 that utilized the September 19, 2002 through September 18, 2003 base period for operating expense. Any overpayment resulting from operating expense disallowances in the September 19, 2002 through September 18, 2003 base period report for rates subsequent to 2007 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 2739
File #07-3626
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 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 me at [REDACTED].

Sincerely,

[REDACTED]
Bureau of Rate Audit
Division of Medicaid Audit
Office of the Medicaid Inspector General

Enclosures

- Attachment A - Facility Draft Report Comments and OMIG Response
- Attachment B - Summary of Changes from Draft Report to Final Report
- EXHIBIT I - Summary of Per Diem Impact and Medicaid Overpayment
- EXHIBIT II - Summary of Medicaid Rates Audited
- EXHIBIT III - Operating Expense Disallowances/ (Allowances) - Nursing Facility
- EXHIBIT IV - Operating Expense Disallowance/ (Allowances) - Ventilator Unit
- EXHIBIT V - Property Expense Disallowances/ (Allowances) - Nursing Facility
- EXHIBIT VI - Property Expense Disallowances/ (Allowances) - Ventilator Unit
- EXHIBIT VII - Correction of Billed Patient Days

CERTIFIED MAIL # [REDACTED]
RETURN RECEIPT REQUESTED

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

NAME AND ADDRESS OF AUDITEE

Eastchester Rehabilitation and
Health Care Center, LLC
2700 Eastchester Road
Bronx, New York 10469

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

AUDIT #07-3626

AMOUNT DUE: \$478,068

AUDIT	<input type="checkbox"/> PROVIDER
TYPE	<input checked="" type="checkbox"/> RATE
	<input type="checkbox"/> PART B
	<input type="checkbox"/> OTHER:

CHECKLIST

1. To ensure proper credit, please enclose this form with your check.
2. Make checks payable to: *New York State Department of Health*
3. Record the Audit Number on your check.
4. Mail check to:

[REDACTED]
New York State Department of Health
Medicaid Financial Management
GNARESP Corning Tower, Room 2739
File #07-3626
Albany, New York 12237-0048

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

CORRECT PROVIDER NUMBER

**EASTCHESTER REHABILITATION & HEALTH CARE CENTER LLC - AUDIT #07-3626
FACILITY DRAFT 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 & IV COMMENTS

Adjustment #1 – NF & VENT UNIT- Disallowance of Undocumented Expenses

Based upon the documentation submitted with the draft report response, the disallowance has been eliminated.

Adjustment #3 – NF & VENT UNIT - Disallowance of Unpaid Expenses

Based upon the Facility's response regarding one of the expenses, and the documentation submitted with the draft report response, the disallowance associated with that item was eliminated.

Adjustment #4 – NF & VENT UNIT - Disallowance of Real Estate Taxes

Based upon the Facility's response regarding one issue, and the documentation submitted with the draft report response, the disallowance associated with that issue was eliminated.

EASTCHESTER REHABILITATION & HEALTH CARE CENTER LLC
SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT - AUDIT #07-3626

<u>EXHIBIT III - OPERATING EXPENSE</u> <u>DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY</u>	Rate Period	Draft Disallowance (Allowance)	Change	Final Disallowance (Allowance)
1. DISALLOWANCE OF UNDOCUMENTED EXPENSES	9/19/02-12/31/07	\$ 4,866	\$ (4,866)	-
	9/19/02-12/31/07	2,415	(2,415)	-
	9/19/02-12/31/07	8,000	(8,000)	-
2. DISALLOWANCE OF EXPENSE NOT APPLICABLE TO BASE PERIOD	9/19/02-12/31/07	1,595	-	1,595
3. DISALLOWANCE OF UNPAID EXPENSES	9/19/02-12/31/07	920	-	920
	9/19/02-12/31/07	6,132	(5,000)	1,132
	9/19/02-12/31/07	12,000	-	12,000
	9/19/02-12/31/07	18,792	(18,792)	-
4. DISALLOWANCE OF REAL ESTATE TAXES	9/19/02-12/31/06	3,400	(3,400)	-
	9/19/02-12/31/06	2,248	-	2,248
5. DISALLOWANCE OF LABORATORY AND RADIOLOGY EXPENSES	9/19/02-12/31/07	12,914	-	12,914
		13,615	-	13,615
<u>EXHIBIT IV - OPERATING EXPENSE</u> <u>DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT</u>				
1. DISALLOWANCE OF UNDOCUMENTED EXPENSES	9/19/02-12/31/07	4,866	(4,866)	-
	9/19/02-12/31/07	2,415	(2,415)	-
	9/19/02-12/31/07	8,000	(8,000)	-
2. DISALLOWANCE OF EXPENSE NOT APPLICABLE TO BASE PERIOD	9/19/02-12/31/07	1,595	-	1,595
3. DISALLOWANCE OF UNPAID EXPENSES	9/19/02-12/31/07	920	-	920
	9/19/02-12/31/07	6,132	(5,000)	1,132
	9/19/02-12/31/07	12,000	-	12,000
	9/19/02-12/31/07	18,792	(18,792)	-
4. DISALLOWANCE OF REAL ESTATE TAXES	9/19/02-12/31/06	3,400	(3,400)	-
	9/19/02-12/31/06	2,248	-	2,248
5. DISALLOWANCE OF LABORATORY AND RADIOLOGY EXPENSES	9/19/02-12/31/07	12,914	-	12,914
	9/19/02-12/31/07	13,615	-	13,615
<u>EXHIBIT V - PROPERTY EXPENSE</u> <u>DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY</u>				
1. DISALLOWANCE OF AUTOMOBILE EXPENSE	09/19/02 - 12/31/02	2,657	-	2,657
	2003	2,657	-	2,657
	2004	2,657	-	2,657
	2005	2,657	-	2,657
	01/01/06 - 03/31/06	2,700	-	2,700
	04/01/06 - 12/31/06	2,700	-	2,700
	2007	4,236	-	4,236
2. DISALLOWANCE OF MOVEABLE EQUIPMENT RENT	09/19/02 - 12/31/02	4,386	-	4,386
	2003	4,386	-	4,386
	2004	4,386	-	4,386
	2005	4,386	-	4,386
3. DISALLOWANCE OF WORKING CAPITAL INTEREST	01/01/06 - 03/31/06	69,092	-	69,092
	04/01/06 - 12/31/06	96,072	-	96,072

EASTCHESTER REHABILITATION & HEALTH CARE CENTER LLC
SUMMARY OF CHANGES FROM DRAFT REPORT TO FINAL REPORT - AUDIT #07-3626

	<u>Rate Period</u>	<u>Draft Disallowance (Allowance)</u>	<u>Change</u>	<u>Final Disallowance (Allowance)</u>
4. DISALLOWANCE OF TELEPHONE LEASE EXPENSE	2007	\$ 14,874	\$ -	\$ 14,874
5. DISALLOWANCE OF ORGANIZATION COST AMORTIZATION	2007	15,243	-	15,243
6. RECOVERY OF RENTAL INCOME	09/19/02 - 12/31/02	851	-	851
	2003	911	-	911
	2004	885	-	885
	2005	851	-	851
	01/01/06 - 03/31/06	856	-	856
	04/01/06 - 12/31/06	856	-	856
	2007	2,885	-	2,885

**EXHIBIT VI - PROPERTY EXPENSE
DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT**

1. DISALLOWANCE OF AUTOMOBILE EXPENSE	09/19/02 - 12/31/02	2,657	-	2,657
	2003	2,657	-	2,657
	2004	2,657	-	2,657
	2005	2,657	-	2,657
	01/01/06 - 03/31/06	2,700	-	2,700
	04/01/06 - 12/31/06	2,700	-	2,700
	2007	4,236	-	4,236
2. DISALLOWANCE OF MOVEABLE EQUIPMENT RENT	9/19/02 - 12/31/02	4,386	-	4,386
	2003	4,386	-	4,386
	2004	4,386	-	4,386
	2005	4,386	-	4,386
3. DISALLOWANCE OF WORKING CAPITAL INTEREST	01/01/06 - 03/31/06	69,092	-	69,092
	04/01/06 - 12/31/06	96,072	-	96,072
4. DISALLOWANCE OF TELEPHONE LEASE EXPENSE	2007	14,874	-	14,874
5. DISALLOWANCE OF ORGANIZATION COST AMORTIZATION	2007	15,243	-	15,243
6. RECOVERY OF RENTAL INCOME	09/19/02 - 12/31/02	130	-	130
	2003	136	-	136
	2004	133	-	133
	2005	129	-	129
	01/01/06 - 03/31/06	112	-	112
	04/01/06 - 12/31/06	112	-	112
	2007	324	-	324

<u>EXHIBIT VII - CORRECTION OF BILLED PATIENT DAYS</u>	2004 - 2005	117,073	(78)	116,995
---	-------------	---------	------	---------

EASTCHESTER REHABILITATION & HEALTH CARE CENTER LLC - AUDIT #07-3626**RATE PERIODS SEPTEMBER 19, 2002 THROUGH DECEMBER 31, 2007****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>
<u>NURSING FACILITY</u>					
09/19/02 - 10/31/02	\$192.34	\$191.57	\$0.77	6,142	\$ 4,729
11/01/02 - 12/31/02	194.04	193.28	0.76	8,894	6,759
01/01/03 - 01/31/03	195.15	194.37	0.78	4,143	3,232
02/01/03 - 04/30/03	198.03	197.25	0.78	11,845	9,239
05/01/03 - 07/31/03	200.74	199.95	0.79	12,268	9,692
08/01/03 - 10/31/03	201.37	200.59	0.78	12,574	9,808
11/01/03 - 12/31/03	198.48	197.69	0.79	8,241	6,510
01/01/04 - 01/31/04	202.83	202.02	0.81	4,208	3,408
02/01/04 - 03/31/04	204.65	203.85	0.80	8,583	6,866
04/01/04 - 04/30/04	204.65	203.85	0.80	4,457	3,566
05/01/04 - 07/31/04	203.18	202.38	0.80	13,496	10,797
08/01/04 - 10/31/04	205.92	205.12	0.80	13,024	10,419
11/01/04 - 12/31/04	203.36	202.56	0.80	8,583	6,866
01/01/05 - 01/31/05	210.43	209.61	0.82	4,307	3,532
02/01/05 - 04/30/05	211.74	210.92	0.82	12,361	10,136
05/01/05 - 06/30/05	211.23	210.41	0.82	8,671	7,110
07/01/05 - 07/31/05	211.23	210.41	0.82	4,518	3,705
08/01/05 - 10/31/05	213.22	212.39	0.83	13,681	11,355
11/01/05 - 12/31/05	212.38	211.55	0.83	8,871	7,363
01/01/06 - 01/31/06	223.35	221.72	1.63	4,353	7,095
02/01/06 - 03/31/06	223.79	222.15	1.64	8,431	13,827
04/01/06 - 04/30/06	223.27	221.30	1.97	4,358	8,585
05/01/06 - 07/31/06	222.81	220.84	1.97	12,981	25,573
08/01/06 - 10/31/06	225.50	223.54	1.96	12,172	23,857
11/01/06 - 12/31/06	232.53	230.56	1.97	8,649	17,039
01/01/07 - 03/31/07	239.84	238.61	1.23	12,125	14,914
04/01/07 - 06/30/07	238.47	237.25	1.22	12,223	14,912
07/01/07 - 08/31/07	240.18	238.96	1.22	8,956	10,926
09/01/07 - 12/31/07	240.18	238.96	1.22	18,922	23,085
TOTAL MEDICAID OVERPAYMENT - NURSING FACILITY					\$ 294,905

EASTCHESTER REHABILITATION & HEALTH CARE CENTER LLC - AUDIT #07-3626**RATE PERIODS SEPTEMBER 19, 2002 THROUGH DECEMBER 31, 2007****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>
<u>VENTILATOR UNIT</u>					
09/19/02 - 10/31/02	\$616.20	\$614.85	\$1.35	688	\$ 929
11/01/02 - 12/31/02	616.39	615.04	1.35	974	1,315
01/01/03 - 01/31/03	622.54	621.16	1.38	480	662
02/01/03 - 04/30/03	621.88	620.51	1.37	1,430	1,959
05/01/03 - 07/31/03	622.46	621.08	1.38	1,437	1,983
08/01/03 - 10/31/03	622.19	620.82	1.37	1,464	2,006
11/01/03 - 12/31/03	620.42	619.05	1.37	989	1,355
01/01/04 - 01/31/04	633.73	632.33	1.40	494	692
02/01/04 - 03/31/04	634.13	632.72	1.41	945	1,332
04/01/04 - 04/30/04	634.13	632.72	1.41	479	675
05/01/04 - 07/31/04	636.52	635.11	1.41	1,501	2,116
08/01/04 - 10/31/04	638.09	636.69	1.40	1,533	2,146
11/01/04 - 12/31/04	635.88	634.48	1.40	944	1,322
01/01/05 - 01/31/05	657.01	655.56	1.45	494	716
02/01/05 - 04/30/05	656.80	655.35	1.45	1,491	2,162
05/01/05 - 06/30/05	657.01	655.56	1.45	977	1,417
07/01/05 - 07/31/05	657.01	655.56	1.45	527	764
08/01/05 - 10/31/05	656.92	655.48	1.44	1,534	2,209
11/01/05 - 12/31/05	656.92	655.48	1.44	973	1,401
01/01/06 - 01/31/06	678.08	674.22	3.86	492	1,899
02/01/06 - 03/31/06	677.78	673.92	3.86	939	3,625
04/01/06 - 04/30/06	676.21	671.36	4.85	480	2,328
05/01/06 - 07/31/06	678.58	673.73	4.85	1,444	7,003
08/01/06 - 10/31/06	678.71	673.86	4.85	1,438	6,974
11/01/06 - 12/31/06	676.21	671.36	4.85	972	4,714
01/01/07 - 03/31/07	701.04	698.89	2.15	1,435	3,085
04/01/07 - 06/30/07	697.09	694.95	2.14	1,446	3,094
07/01/07 - 10/31/07	697.09	694.95	2.14	1,967	4,209
11/01/07 - 12/31/07	697.09	694.95	2.14	970	2,076
TOTAL MEDICAID OVERPAYMENT - VENTILATOR UNIT					\$ 66,168
2004-2005 MEDICAID OVERBILLING (SEE EXHIBIT VII)					\$ 116,995
TOTAL MEDICAID OVERPAYMENT					\$ 478,068

* 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.

EASTCHESTER REHABILITATION & HEALTH CARE CENTER LLC - AUDIT #07-3626**RATE PERIODS SEPTEMBER 19, 2002 THROUGH DECEMBER 31, 2007****SUMMARY OF MEDICAID RATES AUDITED**

The nursing facility's Medicaid utilization was approximately 80 percent and the ventilator unit's Medicaid utilization was approximately 99 percent for the period under audit. 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> <u>NURSING FACILITY</u>	Issued Medicare Part B & D <u>Non-Eligible Rates *</u>
09/19/02 - 10/31/02	\$ 192.34
11/01/02 - 12/31/02	194.04
01/01/03 - 01/31/03	195.15
02/01/03 - 04/30/03	198.03
05/01/03 - 07/31/03	200.74
08/01/03 - 10/31/03	201.37
11/01/03 - 12/31/03	198.48
01/01/04 - 01/31/04	202.83
02/01/04 - 03/31/04	204.65
04/01/04 - 04/30/04	204.65
05/01/04 - 07/31/04	203.18
08/01/04 - 10/31/04	205.92
11/01/04 - 12/31/04	203.36
01/01/05 - 01/31/05	210.43
02/01/05 - 04/30/05	211.74
05/01/05 - 06/30/05	211.23
07/01/05 - 07/31/05	211.23
08/01/05 - 10/31/05	213.22
11/01/05 - 12/31/05	212.38
01/01/06 - 01/31/06	223.35
02/01/06 - 03/31/06	223.79
04/01/06 - 04/30/06	223.27
05/01/06 - 07/31/06	222.81
08/01/06 - 10/31/06	225.50
11/01/06 - 12/31/06	232.53
01/01/07 - 03/31/07	239.84
04/01/07 - 06/30/07	238.47
07/01/07 - 08/31/07	240.18
09/01/07 - 12/31/07	240.18

EASTCHESTER REHABILITATION & HEALTH CARE CENTER LLC - AUDIT #07-3626
RATE PERIODS SEPTEMBER 19, 2002 THROUGH DECEMBER 31, 2007
SUMMARY OF MEDICAID RATES AUDITED

<u>RATE PERIOD</u>	<u>Issued Medicare</u>
<u>VENTILATOR UNIT</u>	<u>Part B & D</u>
	<u>Non-Eligible Rates *</u>
09/19/02 - 10/31/02	\$ 616.20
11/01/02 - 12/31/02	616.39
01/01/03 - 01/31/03	622.54
02/01/03 - 04/30/03	621.88
05/01/03 - 07/31/03	622.46
08/01/03 - 10/31/03	622.19
11/01/03 - 12/31/03	620.42
01/01/04 - 01/31/04	633.73
02/01/04 - 03/31/04	634.13
04/01/04 - 04/30/04	634.13
05/01/04 - 07/31/04	636.52
08/01/04 - 10/31/04	638.09
11/01/04 - 12/31/04	635.88
01/01/05 - 01/31/05	657.01
02/01/05 - 04/30/05	656.80
05/01/05 - 06/30/05	657.01
07/01/05 - 07/31/05	657.01
08/01/05 - 10/31/05	656.92
11/01/05 - 12/31/05	656.92
01/01/06 - 01/31/06	678.08
02/01/06 - 03/31/06	677.78
04/01/06 - 04/30/06	676.21
05/01/06 - 07/31/06	678.58
08/01/06 - 10/31/06	678.71
11/01/06 - 12/31/06	676.21
01/01/07 - 03/31/07	701.04
04/01/07 - 06/30/07	697.09
07/01/07 - 10/31/07	697.09
11/01/07 - 12/31/07	697.09

* 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.

EASTCHESTER REHABILITATION & HEALTH CARE CENTER LLC - AUDIT #07-3626
RATE PERIODS SEPTEMBER 19, 2002 THROUGH DECEMBER 31, 2007
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

OPERATING EXPENSE COMPONENT	
09/19/02-12/31/06	01/1/07-12/31/07
NON-COMP.	NON-COMP.
\$ 8,031,846	\$ 3,630,015
\$ 709,555	\$ 489,236

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE BACK %	DIRECT	INDIRECT
Patient Food	011	-			
Dental	037	-			
Housekeeping	010	-			
Fiscal Services	004	1,595	76.50%		1,220
Administrative	005	920	76.50%		704
Laundry	009	1,132	85.81%		971
Housekeeping	010	12,000	91.12%		10,934
Utilities	106	-			
RE Taxes	106	-			
RE Taxes	106	2,248	90.85%		2,042

Operating Expense Allowed per HE-12B
Less Disallowances/(Allowances):

1. DISALLOWANCE OF UNDOCUMENTED EXPENSES

Based upon the documentation submitted with the draft report response, the disallowance has been eliminated

2. DISALLOWANCE OF EXPENSE NOT APPLICABLE TO BASE PERIOD

The Facility's operating base period is September 19, 2002 through September 18, 2003. The Facility included expenses that were not related to the base period under audit. The expenses were disallowed.
Regulations: 10 NYCRR Sections 86-2.4 and 86-2.17(a)

3. DISALLOWANCE OF UNPAID EXPENSES

The Facility reported various expenses which were not paid. In order to be allowable for reimbursement, incurred expenses must be paid within one year after the end of the reporting period. The unpaid expenses were disallowed.
Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Section 2305

4. DISALLOWANCE OF REAL ESTATE TAXES

The Facility's related company received income for providing space on the roof of the Facility for location of a cellphone tower. The costs associated with providing this space are not properly chargeable to patient care. Consequently, these expenses were disallowed.
Regulations: 10 NYCRR Sections 86-2.17(a) & (d) and 86-2.18

EASTCHESTER REHABILITATION & HEALTH CARE CENTER LLC - AUDIT #07-3626
RATE PERIODS SEPTEMBER 19, 2002 THROUGH DECEMBER 31, 2007
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT

OPERATING EXPENSE COMPONENT									
DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE BACK %	DIRECT	INDIRECT	COMP.	NON-COMP.		
						\$ 1,716,458	\$ 543,917	\$ 1,388,568	\$ 1,366,378

Operating Expense Allowed per HE-12B
Less Disallowances/(Allowances):

1. DISALLOWANCE OF UNDOCUMENTED EXPENSES

Based upon the documentation submitted with the draft report response, the disallowance has been eliminated.

Patient Food	011	-						
Dental	037	-						
Housekeeping	010	-						

2. DISALLOWANCE OF EXPENSE NOT APPLICABLE TO BASE PERIOD

The Facility's operating base period is September 19, 2002 through September 18, 2003. The Facility included expenses that were not related to the base period under audit. The expenses were disallowed.

Regulations: 10 NYCRR Sections 86-2.4 and 86-2.17(a)

Fiscal Services	004	1,595	23.50%		375			
-----------------	-----	-------	--------	--	-----	--	--	--

3. DISALLOWANCE OF UNPAID EXPENSES

The Facility reported various expenses which were not paid. In order to be allowable for reimbursement, incurred expenses must be paid within one year after the end of the reporting period. The unpaid expenses were disallowed.

Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Section 2305

Administrative	005	920	23.50%		216			
Laundry	009	1,132	14.19%		161			
Housekeeping	010	12,000	8.88%		1,066			
Utilities	106	-						

4. DISALLOWANCE OF REAL ESTATE TAXES

The Facility's related company received income for providing space on the roof of the Facility for location of a cellphone tower. The costs associated with providing this space are not properly chargeable to patient care. Consequently, these expenses were disallowed.

Regulations: 10 NYCRR Sections 86-2.17(a) & (d) and 86-2.18

RE Taxes	106	-						
RE Taxes	106	2,248	9.15%		206			

EASTCHESTER REHABILITATION & HEALTH CARE CENTER LLC - AUDIT #07-3626
RATE PERIODS SEPTEMBER 19, 2002 THROUGH DECEMBER 31, 2007
OPERATING EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT

OPERATING EXPENSE COMPONENT									
DESCRIPTION	CTR.	DISALLOWED (ALLOWED)	TRACE BACK %	DIRECT	INDIRECT	09/19/02-12/31/06		01/01/07-12/31/07	
						NON-COMP.	COMP.	NON-COMP.	COMP.
Laboratory	031	19,214	9.80%			1,883		1,883	
Radiology	034	13,615	34.32%			4,673		4,673	
						\$ -	\$ 1,818	\$ 6,762	\$ 6,556
						\$ 1,716,458	\$ 542,100	\$ 1,381,806	\$ 1,359,822

5. DISALLOWANCE OF LABORATORY AND RADIOLOGY EXPENSES

Effective April 1, 2001, the Centers for Medicare and Medicaid Services (CMS) policy for consolidated billing required that nursing facilities bill and receive reimbursement under Medicare Part A for the radiology and laboratory "technical component" portion of charges. The actual radiology and laboratory service provider then bills the nursing facility to receive its reimbursement of the technical component. Consequently, inclusion of any such "expenses" in the Medicaid rate would duplicate reimbursement. The "expense" is merely a pass through of income received by the nursing facility to the service provider. Additionally, the above transactions do not pertain to Medicaid patients in any way, therefore it is not reimbursable under the Medicaid program.

Regulations: 10 NYCRR Section 86-2.17d, HCFA Pub. 60B, Transmittal B-00-67 dated Nov. 27, 2000, Subject: Consolidated Billing for SNF Residents.

Total Disallowances/(Allowances)

AUDITED OPERATING EXPENSE BY COMPONENT

EASTCHESTER REHABILITATION & HEALTH CARE CENTER LLC - AUDIT #07-3626
RATE PERIODS SEPTEMBER 19, 2002 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

DESCRIPTION	COST DISALLOWED CTR.	TRACE- (ALLOWED)	TRACE- BACK %	RATE PERIODS						
				09/19/02- 12/31/02	2003	2004	2005	01/01/06- 03/31/06	04/01/06- 12/31/06	
				\$ 381,297	\$ 387,659	\$ 335,360	\$ 317,876	\$ 452,611	\$ 452,611	\$ 671,661
Rent A	006	2,657	90.85%	2,414	2,414	2,414	2,414	2,433	2,433	3,825
Rent A	006	2,700	90.11%							
Rent C	006	4,236	90.29%							
Rent B	004	4,386	76.50%	3,355	3,355	3,355	3,355			
WCI	005	69,092	78.69%					54,368		
WCI	005	96,072	78.69%						75,599	
Rent A	002	14,874	89.42%							13,300

Property Expense Allowed per HE-12B

Less Disallowances/(Allowances):

1. DISALLOWANCE OF AUTOMOBILE EXPENSE

The Facility was unable to provide documentation to substantiate the relationship to patient care for automobile lease payments. Providers who receive payments on the basis of reimbursable cost must provide adequate cost data based on financial and statistical records that can be verified on audit. The unsubstantiated automobile expenses were disallowed.

Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2102.3, 2300 and 2304

2. DISALLOWANCE OF MOVEABLE EQUIPMENT RENT

Rental payments verified on audit varied from the rental payments included in the RHCf-4. The undocumented rental expense was disallowed.

Regulations: 10 NYCRR Sections 86-2.7 and 86-2.17(a), PRM-1 Section 2300

3. DISALLOWANCE OF WORKING CAPITAL INTEREST

a) The Facility's January 1, 2006 through March 31, 2006 rate included working capital interest expense which exceeded the loan and interest threshold for a 200 bed facility. Consequently, the expense in excess of the threshold allowable for a facility of this size was disallowed.

Regulation: 10 NYCRR Section 86-2.20

b) Effective April 1, 2006, interest on current indebtedness will not be reimbursed if the RHCf cost report utilized to determine the rate indicated a positive net income. Working capital interest expense was disallowed as the Facility reported a profit in cost year 2004.

Regulations: Public Health Law, Section 2808, Paragraph 22-a

4. DISALLOWANCE OF TELEPHONE LEASE EXPENSE

The Facility included telephone lease expense with equipment rental expense. The Bureau of Long Term Care Reimbursement (BLTCR) has determined that telephone expense is an operating expense for residential health care facilities. 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 expense in the capital component amounts to duplicate reimbursement. Consequently, telephone lease expenses were disallowed.

Regulation: 10 NYCRR Section 86-2.17(d)

EASTCHESTER REHABILITATION & HEALTH CARE CENTER LLC - AUDIT #07-3626
RATE PERIODS SEPTEMBER 19, 2002 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - NURSING FACILITY

DESCRIPTION	COST DISALLOWED CTR.	TRACE- (ALLOWED) BACK %	RATE PERIODS							
			09/19/02- 12/31/02	2003	2004	2005	01/01/06- 03/31/06	04/01/06- 12/31/06		
Organ.Cost	005	15,243	81.03%							
Direct Assign.	051	851	100.00%							
Direct Assign.	051	911	100.00%		911					
Direct Assign.	051	885	100.00%		885					
Direct Assign.	051	851	100.00%				851			
Direct Assign.	051	856	100.00%				856			
Direct Assign.	051	2,885	100.00%					856	856	
									2,885	
				\$ 6,620	\$ 6,680	\$ 6,654	\$ 6,620	\$ 57,657	\$ 78,888	
				\$ 374,677	\$ 380,979	\$ 328,706	\$ 311,256	\$ 394,954	\$ 373,723	\$ 639,300

5. DISALLOWANCE OF ORGANIZATION COST AMORTIZATION

The Facility amortized organization costs over a 60 month period, as required. However, reported organization costs were reimbursed in the rate periods September 19, 2002, through December 31, 2007, approximately 64 months. The excess amortization reimbursement was disallowed.

Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2132 & 2134.2

6. RECOVERY OF RENTAL INCOME

The related company received income for providing space on the roof of the Facility for location of a cellphone tower. The costs associated with providing this space are not properly chargeable to patient care. Consequently, these expenses were disallowed.

Regulation: 10 NYCRR Section 86-2.1B

Property Expense Disallowances/(Allowances)

AUDITED PROPERTY EXPENSE

EASTCHESTER REHABILITATION & HEALTH CARE CENTER LLC - AUDIT #07-3626
RATE PERIODS SEPTEMBER 19, 2002 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	RATE PERIODS						
				09/19/02-12/31/02	2003	2004	2005	01/01/06-03/31/06	04/01/06-12/31/06	
				\$ 252,657	\$ 253,358	\$ 237,843	\$ 233,198	\$ 194,594	\$ 194,594	\$ 265,964

Property Expense Allowed per HE-12B
Less Disallowances/(Allowances):

1. DISALLOWANCE OF AUTOMOBILE EXPENSE

The Facility was unable to provide documentation to substantiate the relationship to patient care for automobile lease payments. Providers who receive payments on the basis of reimbursable cost must provide adequate cost data based on financial and statistical records that can be verified on audit. The automobile expenses were therefore disallowed.

Regulations: 10 NYCRR Section 86-2.17(a), PRM-1 Sections 2300 and 2304

2. DISALLOWANCE OF MOVEABLE EQUIPMENT RENT

Rental payments verified on audit varied from the rental payments included in the RHCF-4 Report. The undocumented rental expense was disallowed.

Regulations: 10 NYCRR Sections 86-2.7 & 86-2.17(a), PRM-1 Section 2300

3. DISALLOWANCE OF WORKING CAPITAL INTEREST

a) The Facility's January 1, 2006 through March 31, 2006 rate included working capital interest expense which exceeded the loan and interest threshold for a 200 bed facility. Consequently, the expense in excess of the threshold allowable for a facility of this size was disallowed.

Regulation: 10 NYCRR Section 86-2.20

b) Effective April 1, 2006, interest on current indebtedness will not be reimbursed if the RHCF cost report utilized to determine the rate indicated a positive net income. Working capital interest expense was disallowed as the Facility reported a profit in cost year 2004.

Regulations: Public Health Law, Section 2808, Paragraph 22-a

4. DISALLOWANCE OF TELEPHONE LEASE EXPENSE

The Facility included telephone lease expense with equipment rental expense. The BLTCR has determined that telephone expense is an operating expense for residential health care facilities. 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 expense in the capital component amounts to duplicate reimbursement. Consequently, telephone lease expenses were disallowed.

Regulation: 10 NYCRR Section 86-2.17(d)

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE-BACK %	09/19/02-12/31/02	2003	2004	2005	01/01/06-03/31/06	04/01/06-12/31/06
Rent A	006	2,657	9.15%	243	243	243	243	267	267
Rent A	006	2,700	9.89%						
Rent C	006	4,236	9.71%						
Rent B	004	4,386	23.50%	1,031	1,031	1,031	1,031	1,031	1,031
WCI	005	69,092	21.31%					14,724	
WCI	005	96,072	21.31%						20,473
Rent A	002	14,874	10.58%						1,574

EASTCHESTER REHABILITATION & HEALTH CARE CENTER LLC - AUDIT #07-3626
RATE PERIODS SEPTEMBER 19, 2002 THROUGH DECEMBER 31, 2007
PROPERTY EXPENSE DISALLOWANCES/(ALLOWANCES) - VENTILATOR UNIT

DESCRIPTION	COST CTR.	DISALLOWED (ALLOWED)	TRACE BACK %	RATE PERIODS						
				09/19/02-12/31/02	2003	2004	2005	01/01/06-03/31/06	04/01/06-12/31/06	
Organ.Cost	005	15,243	18.97%							2,892
	051	130	100.00%	130						
	051	136	100.00%		136					
	051	133	100.00%			133				
	051	129	100.00%				129			
	051	112	100.00%					112		112
	051	324	100.00%							324
				\$ 1,404	\$ 1,410	\$ 1,407	\$ 1,403	\$ 15,103	\$ 20,852	\$ 5,201
Property Expense Disallowances/(Allowances)				\$ 251,253	\$ 251,948	\$ 236,436	\$ 231,795	\$ 179,491	\$ 173,742	\$ 260,763
AUDITED PROPERTY EXPENSE										

5. **DISALLOWANCE OF ORGANIZATION COST AMORTIZATION**
 The Facility amortized organization costs over a 60 month period, as required. However, reported organization costs were reimbursed in the rate periods September 19, 2002 through December 31, 2007, approximately 64 months. The excess amortization reimbursement was disallowed.
Regulations: 10 NYCRR Sections 86-2.17(a) & (d), PRM-1 Sections 2132 & 2134.2

6. **RECOVERY OF RENTAL INCOME**
 The related company received income for providing space on the Direct Assign. roof of the Facility for location of a cellphone tower. The costs Direct Assign. associated with providing this space are not properly chargeable to Direct Assign. patient care. Consequently, these expenses were disallowed.
Regulation: 10 NYCRR Section 86-2.18

EASTCHESTER REHABILITATION & HEALTH CARE CENTER LLC - AUDIT #07-3626
RATE PERIODS SEPTEMBER 19, 2002 THROUGH DECEMBER 31, 2007
CORRECTION OF BILLED PATIENT DAYS

The Facility overbilled patient days in rate years 2004 and 2005. It was determined that several patients were billed at the ventilator unit (VU) rate when they should have been billed at the nursing facility (NF) rate; and a VU patient was incorrectly billed at the NF rate. An adjustment is being made to recover the net amount overbilled in the 2004 and 2005 rates.

Regulation: 10 NYCRR Section 86-2.8

2004

<u>NF DAYS BILLED</u>		<u>AMOUNT</u>		<u>CORRECT</u>	<u>AMOUNT</u>
<u>AS VENT DAYS</u>	<u>VENT RATE</u>	<u>BILLED</u>	<u>NF RATE</u>	<u>BILLING</u>	<u>OVERBILLED</u>
					<u>(UNDERBILLED)</u>
3	\$632.72	\$1,898.16	\$203.85	\$611.55	\$ 1,287
19	635.11	12,067.09	202.38	3,845.22	8,222
36	636.69	22,920.84	205.12	7,384.32	15,537
13	635.11	8,256.43	202.38	2,630.94	5,625
36	636.69	22,920.84	205.12	7,384.32	15,537
					\$ 46,208
Less: Amount Paid by Patient					(2,176)
Overbilled 2004					\$ 44,032

2005

<u>NF DAYS BILLED</u>		<u>AMOUNT</u>		<u>CORRECT</u>	
<u>AS VENT DAYS</u>	<u>VENT RATE</u>	<u>BILLED</u>	<u>NF RATE</u>	<u>BILLING</u>	
14	\$655.56	\$9,177.84	\$210.41	\$2,945.74	\$ 6,232
18	655.35	11,796.30	210.92	3,796.56	8,000
4	655.35	2,621.40	210.92	843.68	1,778
51	655.35	33,422.85	210.92	10,756.92	22,666
20	655.56	13,111.20	210.41	4,208.20	8,903
67	655.48	43,917.16	212.39	14,230.13	29,687
9	655.48	5,899.32	211.55	1,903.95	3,995
					\$ 81,261
Less: Amount Paid by Patient					(2,251)
Overbilled 2005					\$ 79,010

<u>VENT DAYS BILLED</u>		<u>AMOUNT</u>		<u>CORRECT</u>	
<u>AS NF DAYS</u>	<u>NF RATE</u>	<u>BILLED</u>	<u>VENT RATE</u>	<u>BILLING</u>	
14	\$202.56	\$2,835.84	\$634.48	\$8,882.72	\$ (6,047)
Underbilled 2004					\$ (6,047)

Total Overbilled 2004 and 2005

\$ 116,995